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[1] BEFORE THE

National Labor Relations Board

ELEVENTH REGION

In the Matter of: DARLINGTON MANUFACTURING COMPANY, and TEXTILE WORKERS UNION OF AMERICA, AFL-CIO	Case No. 11-CA-1071

Court Room,
U. S. Court House,
Florence, S. C.,
January 15, 1957.

Pursuant to notice, the above-entitled matter came on for hearing at 1:00 o'clock p. m.,

BEFORE:

LLOYD BUCHANAN, ESQ.
Trial Examiner, National
Labor Relations Board,
Washington 25, D. C.

APPEARANCES:

JOHN M. DYER, ESQ.
For General Counsel,
1831 Nissen Building,
Winston-Salem, N. C.

MAX ZIMMY, ESQ.
Assistant General Counsel,
Textile Workers Union of America,
99 University Pl., New York, N. Y.,
for Charging Party.

BOYD E. PAYTON
BRUCE E. DAVIS
Southern Director,
Int'l Representative,
Textile Workers Union of
America, 110 W. 6th St.,
Charlotte, N. C.,
for Charging Party.

[2] PRICE & POAG
Attorneys at Law,
101 Lawyers Building,
Greenville, S. C., for
Respondent Darlington
Manufacturing Company,
Messrs. James H. Price and
James D. Poag appearing.

THOMAS A. WOFFORD, ESQ.
Masonic Building,
Greenville, S. C., appearing
as special attorney for
Deering Milliken Service
Corporation.

* * *

[4] PROCEEDINGS

* * *

[12] BOYD E. PAYTON, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner: Your name? A. Boyd E. Payton.

Q. "E"? A. Yes, "E" is my middle initial. P-a-y-t-o-n".

Q. And address? [13] A. My home address is 4501 Wentworth Place, Charlotte, N. C., and office address is 110 West Sixth Street, Charlotte, N. C.

Direct Examination

Q. (By Mr. Dyer) Mr. Payton, do you have a position with the Textile Workers Union of America? A. Yes, I do.

Q. What is that position? A. Southern Director.

Q. Now what does that position entail? A. The Southern Director is responsible for the supervision of all activities of the Textile Workers Union of America in those states below Virgina called the "Deep South", having to do with the operation of the established local unions and direction of some fifty-seven organizers who are engaged in organization of new locals.

Q. In that capacity do you receive reports from your organizers? A. I receive regularly each Saturday a written report, it arrives in my office each Monday morning, and in addition to that I receive telephone reports almost daily when campaigns are active.

Q. Now do you appoint persons to the campaigns? A. Yes.

Q. Was a campaign ever initiated at the Darlington Manufacturing Company? [14] A. Yes.

Q. Who was in charge of that campaign? A. Lloyd Gossett.

Q. Did you receive reports concerning the campaign? A. Yes.

* * *

Q. And the question is when did you start your campaign? A. During the month of March, 1956, but the organizer was not assigned until April 23rd.

[15] Q. (By Mr. Dyer) Were union meetings held during this campaign? A. Yes.

* * *

[17] Mr. Dyer: At this time General Counsel proposes the following stipulation: That on May 22, 1956, Boyd E. Payton, Southern Director for Textile Workers Union of America wrote a letter to Darlington Manufacturing Company requesting recognition and claiming a majority and asking for a bargaining conference. Following this letter, Boyd E. Payton, Southern Director, filed a Petition on May 23, 1956, for all production and maintenance employees at the Darlington plant.

Trial Examiner: That is May 15th?

Mr. Dyer: May 23rd. Following the Petition a notice of representation hearing was issued by the Regional Director of the Eleventh Region, and a hearing was subsequently rescheduled and then on a subsequent date, the 8th of June, the notice was changed and the place of hearing was again issued, and that finally a hearing was held on June 19, 1956; following that, the Board on August 24, 1956, issued a decision and direction of election for the unit which has been set forth in the Complaint; the election was held on September 6, 1956, at Darlington Manu-

facturing Company; the certification on conduct of the election was signed by representatives of Darlington [18] Manufacturing Company, and by the Textile Workers Union of America; a tally of ballots was prepared which stated that out of an approximate number of eligible voters of 523, 5 votes were voided, 258 votes were cast for the Petitioner, 252 were against, or a total of 504 ballots, valid votes were counter and four were challenged. The tally of ballots was signed by J. D. Poag, as attorney for the Respondent, and by Boyd E. Payton, Southern Director of Textile Workers Union of America.

Following the election, Respondent protested the election on various phases, the protest was filed by attorneys Price and Poag on the 11th day of September, 1956. Following the statement of protest, a report on objections was issued by the Acting Regional Director of the Eleventh Region on October 8, 1956, the Acting Regional Director's report on objections ruling that the objections be dismissed. On October 24, 1956, the National Labor Relations Board issued a supplemental report and certification of representatives which certified the Textile Workers Union of America as bargaining agent for the employees at Darlington Manufacturing Company. That is my proposed stipulation.

Mr. Poag: We have no objection.

Mr. Zimny: No objection by the Union.

* * *

[19] Mr. Dyer: It is further stipulated that Respondent did not produce any witnesses in support

of objections to the election since at the time of the investigation there was a recommendation from the Board of Directors of the Darlington Manufacturing Company that the plant be liquidated.

Mr. Poag: May I say this to clarify Your Honor's mind. Under the procedure of South Carolina, the Board of Directors meet and make a recommendation to the stockholders in the event of a liquidation and dissolution of the business. This meeting referred to by counsel for the Board was held by the Board of Directors on September 12th at which time they adopted a recommendation to the stockholders that Darlington Manufacturing Company go into liquidation and dissolve. Further, under your procedure we are required to give thirty days notice of a meeting of the stockholders for the purpose of considering a recommendation of the Board of Directors. That notice was duly given and the meeting was called and held on October 17, 1956, at which time the stockholders voted to adopt the recommendation of the Board of Directors. So that it was during the interim that this objection to the election was initiated and had and it was for the reasons which I have just outlined, Your Honor, that the company wrote Mr. Magruder that it was not in position to offer any witnesses on that question.

Trial Examiner: I missed one point, the meeting of stockholders was held when?

[20] Mr. Poag: October 17th.

Mr. Dyer: I stated that Mr. Poag stipulated my stipulation, and that his remarks are a further explanation.

Mr. Poag: That is correct.

Mr. Dyer: Mr. Zimny, do you stipulate to my last statement?

Mr. Zimny: Yes.

Q. (By Mr. Dyer) Mr. Payton, following the election which has been stipulated was held on September 6, 1956, did you have any contact with the Respondent or the Respondent's attorneys? A. Yes.

Q. When was that contact? A. I think it was two days after the election which would have been the 8th.

Q. And what was the nature of that contact? A. I called Mr. Poag, attorney for the company, and asked if it might be possible to set up a conference with he and Mr. Milliken for the purpose of discussing terms of a contract.

Q. Go ahead and elaborate on the conversation and tell everything you recall about it? A. Mr. Poag said that he saw no point in such a conference because the company was protesting the election, and until such time as we were actually certified he saw no point in arranging any meeting. "If and when you are certified you may contact me again and we will consider setting up such a meeting at that time".

* * *

[22] Q. (By Mr. Dyer) Mr. Payton, it has been stipulated that the Board issued a supplemental decision of certification on October 24, 1956, did you receive a copy of such report? A. Yes, I did.

Q. Did you take any action following receipt of that report? A. Yes, I sent a telegram to the company asking for a bargaining session.

* * *

[24] Q. (By Mr. Dyer) Mr. Payton, following your telegram and letters, did you ever have a meeting with Respondent or Respondent's attorneys? A. Yes, we did.

Q. What was the date of that meeting? A. November 7th.

Q. 1956? A. Yes, 1956.

Q. Where was the meeting held? A. In the company offices in Darlington, Darlington Manufacturing Company.

Q. Who attended the meeting? A. Representing the company were Mr. Poag, Mr. Price, Senior, Mr. Price, Junior, and Mr. Oeland and Mr. Goodwin. Representing the union was myself, my assistant, H. S. Williams, Mr. Gossett, [25] the committee of workers, five workers from Darlington former employees.

Q. How long did the meeting last? A. About an hour.

Q. Can you tell me what took place at that meeting? A. Well, the conference was opened by asking the possibility of exploring, somewhat to explore the possibility of keeping the plant in operation, we said that we wished to assure the company that we wanted to cooperate in every way possible to get the plant back in operation. That was the major concern. A lot of discussion was had about the liquidation, the decision to liquidate. I asked the company if it was the fact that the employees had voted for union representation that had caused the company to make this decision. Mr. Poag said that this action by the employees caused the company to reappraise the situation, but that there were other reasons for the company's decision to liquidate. We asked the company for information concerning the wages, wage scales, wage schedules, so called fringe benefit practices such as what is your vacation policy, what is your holiday policy, whether or not you have any incentive plan in effect, and the company took the position that they saw no point in furnishing that information to the union since the decision had already been made to liquidate the plant and that decision was irrevocable. We [26] had

some discussion about the unfairness of the company's decision to sell the plant first as a whole as a going concern, and then as a piece-meal operation. We said that we were concerned about that, we thought it would be better if they could be induced to sell it at auction piece-meal first and then any company that was concerned about having the mill in operation as a whole would know what price they had to meet in order to have a plant in operation. Mr. Poag said that the decision had been made to do it the other way around, and that the company was only concerned about the highest possible dollar, whatever way they could get the highest dollar out of the sale was the big concern of the company. We kept coming back to this question of wage scale, and asked the company several times if they had a typewritten copy of their wage scale. They said they did not have a copy to give us but that rates were posted in the mill. We tried then to get the individual rates, we asked "what is your fixers rate", Mr. Goodwin said "Why did you not ask the fixers you have on your committee. He can tell you what his rate is." We asked what the weaver's rate was, and Mr. Goodwin said gain, "Why did you not ask the weaver on your committee, he can tell you what his rate is". We asked—we had some discussion about what the minimum wage was, Mr. Poag said that he thought the company could assure us that the wages including the minimum were equal to competitive mills of [27] the company. At one point Mr. Oeland asked why the Union did not buy the plant. I replied that the Union was not in the business of operating textile mills, we considered that management's function and were not in the business of operating textile mills. Prior to the conference we had asked the company for information concerning the date that employees had been terminated, the names of employees

remaining on the payroll, and I believe some other information concerning the present operations at the plant, and I asked Mr. Poag if he had that information, and he said he had not prepared it but could advise that there were some seventy-five employees still working on that day, but they would be finished within a week, was his information, and in view of that fact he saw no reason to furnish us with the information we had requested in regard to wages. But using a number of questions we did secure at that conference the company's vacation policy, the holiday policy, we were informed that there was an incentive system in effect, and some other details having to do with fringe benefit policies of the company.

Q. Was there anything in the conference mentioned concerning contractural proposal? A. Mr. Poag said that he had expected us to come to that conference with a contract proposal, and I asked him how he expected us to prepare a proposal when we had not yet received [28] the information concerning wages and fringe benefits, how could we determine whether we were going to ask for a wage increase or not when we did not know what the present rates were. How could we determine what our vacation proposal might be when we did not know prior to that time what the present vacation plan was and so on down the line. And then I concluded by saying even so, presentation of a contract proposal it seems to me would be pretty empty in view of the fact that the company has announced plans to liquidate, and "you have told us that those plans cannot be changed, that decision is irrevocable."

Q. Since the time of that conference have you had any contact with the company or the Respondent's counsel? A. I believe since that time the company has written to us.

Q. Just a few minutes ago I introduced certain letters and exhibits, one was dated November 26, 1956, addressed to J. M. Oeland from you? A. Yes, that is right. On November 26 we renewed our request for information concerning the company's wage scale, schedule, vacation policy, etc.

Trial Examiner: When was that?

A. November 26.

Q. (By Mr. Dyer) That would be General Counsel Exhibit No. 2-(g). You received a reply to that? A. Yes, Mr. Poag replied.

[29] Q. The two, or three letters, General Counsel Exhibits Nos. 2-(g, h and i) are the only contact that you had with the Respondent since November 7? A. Yes.

Q. There has been no other? A. No.

* * *

Trial Examiner: On the record. Before you resume, Mr. Dyer, in reference to the number of people I think it would be helpful if we identified each of them on the record. Say Price, Senior, and Price, Junior.

Mr. Dyer: I can probably make that identity with Mr. Poag's agreement. Mr. Price, Senior, is counsel for the Respondent of the firm of Price & Poag.

Trial Examiner: I am sorry, I was thinking in terms of committee representatives. Price, Senior and Price, Junior, are counsel?

Mr. Poag: Yes, the only correction would be Mr. W. B. Price, and not Price, Junior.

Mr. Price: Your Honor, we have three "Prices" we can give, high, low or any kind you want.

Colloquy

Mr. Dyer: Mr. Price, Senior, and Mr. Poag are counsel for Darlington Manufacturing Company, Mr. Goodwin is production superintendent for Darlington Manufacturing Company [30] and Mr. Oeland is treasurer and general manager of the Darlington Manufacturing Company. I think that clears them all. And Lloyd Gossett has already been identified as an organizer.

Trial Examiner: All right, think you.

Mr. Dyer: Mr. Examiner, at this time we would like to propose a stipulation that pursuant to notice placed in the papers by the Respondent or by Respondent's auctioneering firm, an auction was held of the Darlington Manufacturing Company, and the plant was sold as a whole first, on December 12, 1956, at that time there was only one bid, the bid was for $1,600,000 for the plant as a whole. Following that——

Trial Examiner: That was what date?

Mr. Dyer: December 12. Following the auction as a whole, the plant and various properties such as machinery and all were offered piece-meal and——

Trial Examiner: Was that the same day?

Mr. Dyer: The same day and the following day, December 13, 1956, and that the bids on piece-meal including the building was in excess of $1,850,000, subject to adjustment for weights, counts and measures if there proved to be any deficiency.

Trial Examiner: The record notes that stipulation.

* * *

[36] Q. Now Mr. Payton, I will ask you next a particular question of the meeting held in the office at which you said we were all present, did you notice during the discussion that I was taking short hand notes? A. Yes, I did.

Q. Of what was said? A. Yes Sir.

* * *

[37] Q. Now about one statement there in the conversation, do you remember Mr. Poag turned to you and said, "Mr. Payton, I would like to ask what is the basis of this charge against the company for failing to bargain," do you remember that question? A. Yes Sir.

Q. Did you say that "I frankly do not know, I am not sure what the basis is, that there are so many press persons getting in here it is hard to know just where we stand, I think that everybody got into it". Do you remember saying that? A. Yes, something to that effect.

* * *

[43] Q. I will ask you this further. On the 3rd of November—on November 7th, did we adjourn there at about 11 o'clock without any particular date being set but we said that we would, Mr. Poag assured you that we would be willing to meet back any reasonable time, did he? A. Yes.

Q. You never asked for another meeting, did you? A. No Sir.

* * *

Redirect Examination

Q. (By Mr. Dyer) Mr. Payton, during your meeting on November 7th, with the company and Respondent's attorneys, you said that, you stated in your prior examination that you asked for certain information? A. Yes, that is right.

Q. Did you ever ask again for such information? [44] A. Yes.

Q. And how did you do that? A. By letter of November 26.

Q. That is the letter that has been stipulated to in evidence? A. Yes.

Q. Did you ever get any information from the company?

Trial Examiner: You are referring to which letter?

Mr. Dyer: General Counsel 2-(g).

Trial Examiner: Thank you.

Q. (By Mr. Dyer) Did you ever receive from the company any information regarding the request that you asked? A. No.

* * *

[54] JAMES P. MOZINGO, III, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. 117 North Main Street, Darlington, S. C.

[55] *Direct Examination*

Q. (By Mr. Dyer) Senator Mozingo, what particular body are you senator in? A. South Carolina State Senate.

Q. In what territory do you represent? A. Darlington County.

Q. Now what is the seat of Darlington County? A. Darlington, S. C.

Q. Sir, are you a member of the Bar of the State of South Carolina? A. Yes Sir, I have been a member of the Bar since 1936, and have been in the Legislature 22 years and was elected in 1935, and elected to the Senate in 1938.

Q. Do you have a law practice? A. Yes.

Q. Where is that practice? A. In Darlington.

Q. Now Senator, did you attend a meeting of the stockholders of Darlington Manufacturing Company which was held on October 17, 1956 in Darlington? A. Yes sir, I did.

Q. Where was that meeting held? A. It was held in the offices of Darlington Manufacturing Company on, I guess I am correct, on the lower end or Orange Street in a building that was occupied by Darlington Manufacturing Company.

[56] Q. Do you recall what time that meeting was held? A. No Sir, I do not. I know I was about late and I went by Mr. Henry Simpson's and Mayor Buchanan's but I think it was at 10 o'clock, I am not sure, I believe it might be 11. I am not positive.

Trial Examiner: What was the date?

A. October 17, 1956.

Q. (By Mr. Dyer) Were you there prior to the start of the meeting? A. For about five minutes, I went straight in there and then just long enough to shake hands with the other members present and around the room and sit down.

Q. Are you a stockholder in Darlington Manufacturing Company? A. No, I am not.

Q. In what capacity did you attend this meeting? A. I had a proxy that was given to me by Mr. Simpson, the proxy stock belonged to Belk's Department Store of Camden, S. C.

Q. And you attended? A. I attended with that proxy.

Q. Now did you go to the meeting by yourself? I think you said you went with some other? A. No, I got a telephone call from the Mayor, Mayor Buchanan, that Mr. Simpson was at his place of business, which is a jewelry store located up town and they were waiting on me to [57] go to the stockholdesr meeting.

* * *

Q. (By Mr. Dyer) Senator, did you attend the meeting with these individuals you named? A. Yes.

Q. Where did you sit in the meeting? A. I sat nearest the door where I could get out if necessary. I sat nearest the door, and you understand I had never been in the office before, and sat in the seat next to the door as I understood they were going to have a directors meeting afterward, and I wanted to of course leave before that.

Q. Who were you sitting nearest? A. I sat next to Mr. Buchanan, he sat on my right and Mr. Ted Coggshall next to him and I believe——

Trial Examiner: Who is that?

A. Mr. Ted Coggshall, and I am not sure, Mrs. Oeland was sitting on that side, I did not know her at that time but that is who she was, and Mr. Simpson sat over there and Mr. Poag I believe sat in the same relation on down this side, [58] and I did not know some of the other gentlemen but I did know Mr. Poag.

Q. Was Mr. Milliken, Roger Milliken present? A. He sat, Mr. Oeland was sitting at a desk in the room and Mr. Milliken sat on what would be Mr. Oeland's left facing towards us.

Q. Now who opened the meeting? A. Mr. Milliken is my recollection.

Q. Can you tell us in your own words the events that took place that you saw and heard at that meeting?

* * *

A. The meeting was called to order by Mr. Milliken, and the statement was made by him that on September 6, when they voted for a union that he decided to close the mill. He then [59] said that he had a prepared statement that he began reading from, all of which I took notes on and I recall these words very clearly that "We are going to reexamine the situation there", because it would not allow them to be placed in a competitive position with other mills. The other point he made in there was that the Japanese situation had been rather bad on textile mills, and that he believed that he could take the money and place it in three percent tax exempt bonds and do better with the money, he said the mill had only been paying a three percent dividend. I made notes of those because I intended to reply to his argument, and that pretty well sums up in general what I had on his prepared statement. He said the majority indicated it would not be willing to get below the cost and "we decided to no longer operate." Then he said that some other industry would probably be attracted there. When he finished speaking, I got up and made the statement that I realized that I was in this position, something that I would not particularly want to do for myself but that there was a great many people out of a job and that we were appearing there in all humility to ask him to continue the mill and to continue it to give these people employment, most of whom knew no other trade and most of them who have given their lives working for the mill, and I thought as far as the Japanese action was concerned, that the relief that they had gotten in Congress so far had come a [60] great deal from the fact that certain Congressmen thought that it was

affecting the laboring people as much as it was affecting the employers themselves, and I believed it was a bad thing for him to do. As far as unionization was concerned, I said "I would like to call to your attention that in Darlington there have been other votes for union and Dixie Cup did not vote for a union, however", I said, "Bennettsville has long had a union", and Mr. Simpson said some, made some remark about the Marlboro Mills had a union. On the three percent situation, I made this observation, that he probably was not interested in paying dividends anyway because three percent would do him very little good with the wealth he had, that what he was trying to do was put the Darlington Mills in liquidation and take a long time gain and thereby make a capital gain against a low ordinary income, I believe that about sums up what I had to say, all of which did no good. He asked if there was anything further, and then I got back up and said, "Yes, there is something further, as far as my personal feeling about it," I said, "This is a very sad day for Darlington and I think you are making a great mistake", I said, "As a member of the Senate and a member of Darlington we are going to long remember it and I don't believe that anyone has ever prospered over taking jobs because unemployment and hunger among people with all of the forty million dollars you have, some time I think it will come back and haunt you," and I think it will.

[61] Q. After that discussion was there any other discussion? A. Yes. Mr. Poag and I believe Mr. Henry Simpson made a few remarks, and I made the observation to Mr. Henry Simpson that I had probably said some things, that I did not want to embarrass him who was probably a friend of Mr. Milliken, and he had a proxy that he had given to me and that I wanted him to know

that I had promised him that if there was anything said that might embarrass him or anything like that I was willing to give up the proxy as far as voting was concerned. Mr. Poag then asked me if I wanted to turn in a proxy, and I think I turned to Mr. Simpson and told him that I would leave that up to him, and I believe he said no, it was all right. I think we got beat 134,000 and something to 130,000, I don't remember the tally on it. Immediately after that Mr. Milliken said he would like to see Mayor Buchanan and myself, and we stepped outside and there is an enclosure there right off from the door——

Mr. Price: Your Honor, any remarks that were said outside not in the stockholders meeting we object to.

Mr. Dyer: Let me stop you at this point, Mr. Mozingo, did you have any conversation with Mr. Milliken on October 17, 1956?

A. I had one with Mr. Milliken in the presence of Mayor Buchanan. Mr. Milliken asked us to come out, said there was something he wanted to tell us.

[62] Q. Did you go outside? A. We did.

Q. And did you have a conversation with Mr. Buchanan present with Mr. Milliken? A. We did.

Q. And will you tell what that conversation was?

* * *

A. We stepped out of the office and around to the right hand side going out of the door, there is an enclosure there, no one was working there, Mr. Buchanan, Mr. Milliken and myself went in there, and he told us that he thought that it was going to be——

Trial Examiner: By he?

A. Mr. Milliken told me, he said, "I think you are rather unduly alarmed about this, this is going to be the best thing that ever happened for Darlington", and I said, "How can you say that it will be the best thing that ever happened to Darlington when people are going to be put out of a job, people [63] are going to be hungry," I said, "That is absurd". He said "Well, it happened in Huntsville, Alabama——

* * *

[64] Mr. Price: Your Honor, that goes into the Huntsville, Alabama, situation, that would call for evidence from our side if it was hurtful about what happened.

A. Your Honor, I am not going into Huntsville.

Trial Examiner: Well, apparently we agree that we are not going into the Huntsville situation and there has been some reference to it, perhaps the witness can go on without further reference to Huntsville and tell us about the matters which do concern this hearing.

A. I said, "I know nothing of the Huntsville matter at all," he said, "Well, you will probably get another industry here in Darlington", and I said, "How do you expect us to get another industry when you are leaving a stigma on us here that can't be erased." I said, "Not only that, it is unfair because eighty-three percent of these people I am told have signed a petition to go back to work, eighty-three percent of them have signed a petition to go back to work", he said, "As long as there are seventeen percent of the hard core crowd here I refuse to run the mill."

* * *

[65] *Cross Examination*

Q. (By Mr. Price)

* * *

[67] Q. You said a few minutes ago that Mr. Milliken opened the meeting by reading a statement? A. Yes, after some preliminary remarks.

Q. Did he or not, will you let me read this statement and see if that is your recollection of what he said: (reading)

> "The action of the employees in selecting the union as their bargaining representative indicates unwillingness on their part to cooperate in the plan of modernization. This makes it necessary for the Board of Directors to immediately appraise the whole situation. The Board considered the facts that the stockholders have a very substantial sum of money invested in the business; that the operation of the business has produced approximately only three percent return on their investment; in the past five years; that they might well take their funds out of Darlington and reinvest them in tax exempt bonds which would give them a higher return on their investment without any risk; that in [68] order to modernize the mill, it will be necessary for the stockholders to spend in excess of a million dollars within the next few years, and the Japanese import situation and other factors make the future of textiles uncertain and unpredictable; that the directors could not foretell what the earnings would be or that they would justify this additional outlay of capital for this business for economic reasons; the Board recommends liquidation".

Q. Is that approximately what he said? A. That is the statement he read, yes.

Q. Now I believe you said you did not have any stock in the mill at all yourself? A. No Sir. If I may explain that, I tried to buy some.

* * *

Redirect Examination

Q. (By Mr. Dyer) Senator Mozingo, in the last part of my direct examination of you, you made the statement, "He said, 'As long as there were seventeen percent' ", who was he you referred to? A. Roger Milliken.

[69] Q. Just to make it clear, what was it? A. He said, I said "I understand 83% of the people have signed a petition to go back to work whether they have a union or not", he said, "As long as there was 17% of these hard core labor people here, I refuse to operate the mill". That is his statement. That is the statement Roger Milliken made.

* * *

Q. (By Mr. Dyer) Mr. Mozingo, I believe you said there were some preliminary remarks prior to the reading of this statement? A. Yes, there was.

Q. Did anyone attempt to write those remarks down? A. I did.

* * *

[74] Mr. Dyer: I call Mr. James M. Oeland as a witness under Rule 43-B.

* * *

[75] *Direct Examination*

Q. (By Mr. Dyer) Mr. Oeland, do you have any position with Darlington Manufacturing Company? A. I am treasurer of Darlington Manufacturing Company.

Q. Do you have any other position besides that of treasurer? A. I was general manager.

Q. Pardon? A. As treasurer and I was general manager.

Q. You are general plant manager? A. Yes.

Q. And in that capacity you ran the plant, is that the idea? A. Yes, that is right.

Q. Now how long were you treasurer and general manager of the plant? A. From August 1, 1951.

Q. Until when? A. Until the present time.

* * *

[83] Q. Were any general increases or raises given during the time you were manager of the Darlington Manufacturing Company. A. Yes.

Q. And who initiated the general raise or increase? A. I did.

* * *

[84] Q. Did you need any particular authority from any officer of the corporation to make those raises? A. No.

* * *

[90] Q. (By Mr. Dyer) Mr. Oeland, in addition to your past years as treasurer, are you also secretary of Darlington Manufacturing Company? A. Yes.

Q. And you are a member of the board of directors? A. Yes, that is true.

Q. Now is it the practice to hold annual stockholders meetings? [91] A. Yes.

Q. And when are the stockholders annual meetings held? A. Usually held in January of each year.

Q. And was one held in January 1956? A. Yes.

Q. And were minutes taken of that stockholders meeting? A. Yes.

* * *

Q. (By Mr. Dyer) Now according to that the annual stockholders meeting was held then on January 17, 1956? A. Yes, if that is the date on there.

Q. And you were present at that time? A. Yes.

* * *

[92] Q. Now during the stockholders meeting was there any discussion concerning modernization of the plant and facilities of Darlington Manufacturing Company? A. Yes. Correction, I don't remember that there was at the stockholders meeting. The Directors meeting was held the same day and usually matters of that nature were for the directors rather than the stockholders.

Q. Were you a director at that time? A. Yes.

Q. Did you attend the directors meeting? A. Yes.

Trial Examiner: Directors meeting on January 17?

A. Yes.

Q. (By Mr. Dyer) Was the directors meeting held directly after the stockholders meeting? A. Yes.

Q. At that directors meeting was there discussion on modernization and purchase of new machinery and new facilities for the plant? A. At that meeting, it usually was discussed and I feel sure that some discussion was made of the plant to the officers of the company for some changes, purchases of equipment.

Q. And did the Board of Directors authorize purchases of new machinery and equipment at that meeting? A. I would have to refresh myself on the minutes but it was usually they did at least the officers presented to them [93] their plans. They were not always going to do this actually but discussed the plans for the next year.

Q. How many directors were there at that time? A. There was seven directors at that time.

Q. And most of the directors were in fact officers of the plant were they not? A. No, only Mr. Milliken and myself were officers of the plant.

Q. Mr. Milliken and yourself were the only ones at that time? A. Yes. I beg your pardon, I am not, I believe, I beg your pardon, Mr. Cabel of New York I believe was the assistant treasurer as I remember, and maybe Mr. Hatch was the vice president.

Trial Examiner: What is that last name?

A. Mr. Hatch, "H-a-t-c-h".

Q. (By Mr. Dyer) And that would be four of the seven directors of the Board of Directors were officers of the corporation? A. Mr. Cabel was not a director.

Q. Did he later become a director? A. No.

Q. Was he present at the Board of Directors meeting? A. No.

* * *

[94] Q. Now had there been a program of modernization going on at Darlington for a period of time? A. Each year we tried to make improvements and modernizations to keep up with the competition.

Q. Can you tell us what some of the improvements were during the past say two years? For instance was new pneumagil equipment installed at Darlington Manufacturing Company within the last two years? A. Yes. P-n-e-u-m-a-g-i-l.

Q. And also some pneumagil equipment was being installed right up as recent as September of this year? A. Yes.

Q. Was not a new elevator put in the plant in, very recently? A. I believe the elevator was on the exterior of the building.

Q. Was that put in very recently? A. There was a conveyor put in one time, put in to convey the warper beams to the slasher room.

Q. Well, the conveyor is actually an outdoor elevator, is it? A. No. To my thinking it is a conveyor, it runs automatically, the elevator usually requires somebody to be present [95] to operate it.

Trial Examiner: When was that put in?

A. Last year in 1956.

Q. (By Mr. Dyer) And some air conditioning equipment was installed during 1956? A. We had change of equipment, it was renovated, I don't remember any new installation.

Q. And the company purchased new looms, 80 new looms, did they not? A. Yes.

Q. And when was the purchase order given for those? A. As I remember it was last February, 1956.

Q. February 1956, 84 new looms were ordered by the company? A. Yes.

Q. On whose authority? A. On my authority.

Q. On your authority? A. Yes.

Q. When were these looms delivered? A. Yes.

Q. When were they delivered? A. As I remember it was in August, several car loads came in there over several weeks.

Q. Now can you tell us what the cost of these new looms was or for each would be? I understand there was 84, is that correct? [96] A. As I remember counting the delivery and auxiliary equipment, etc., it ran better than $1500 a loom.

Q. Now where were you planning to place these new looms? A. We moved the supply room from the area where it had been occupying and planned to extend the lower weave room.

Q. In other words you moved the supply room and you were making an addition to the lower weave room in which to put these new looms? A. No, not an addition. We were just taking the same space, preparing it for the installation of looms.

Q. When you say the same space, you say you also moved the supply room? A. Yes, I said we moved the supply room. You said an addition, my understanding of an addition is to add something to the building, I am trying to clarify the point that it was not an addition, but an additional space within the plant in which to put these new looms.

Q. In other words you moved the supply room to make space for the new looms? A. Yes, that is right.

Q. Did you order some new bobbins in 1956? A. Yes.

Q. What do you mean by bobbins? A. Bobbins for your spinning frames.

Q. Well, filler bobbins? [97] A. Yes. They were second hand.

Q. How many new bobbins or new second hand ones did you order? Was it 50,000? A. Yes, I would say yes.

Q. And you ordered new——

Trial Examiner: Over fifty thousand?

A. Yes.

Q. (By Mr. Dyer) You ordered some new warper beams? A. Well, to explain we put on a larger warper beam in certain looms. It is not a warper beam but rather a loom.

Trial Examiner: Put on?

A. Yes, on certain looms.

Trial Examiner: Put on what?

A. On looms, replacements.

Q. (By Mr. Dyer) Were these loom beams smaller or larger, the ones presently on the equipment? A. Larger.

Q. What other equipment was ordered, or on order lets say in June of 1956? A. I don't remember that, all the equipment that we had ordered as machinery change was delivered except for the contract for the new pneumagils, certain part of the pneumagils was not delivered.

Q. When you moved the supply room there were structural changes that had to be made in the building, were there not? A. Yes, not structural changes but just renovation.

[98] Q. Did you have an outside contractor in there doing some of the changes? A. No, we did it with our own help.

Q. Did you have any type of contract with any outside construction company in regard to the moving of the supply room? A. I think we bought some steel bins that were supposed to be put up but we bought them put up. Other than that we did everything ourselves.

Trial Examiner: Was that steel beams?

A. Bins, "B-i-n-s".

Q. (By Mr. Dyer) You had a number of steel bins to be installed too, did you? A. I don't know what you are talking about. We had some aluminum Walker beams that had not been installed.

Q. I am talking about steel beams, construction beams? A. That was in the renovation of the lower part of the weave room, yes.

Q. Who was doing that work in renovation? A. That was being done by an outside contractor.

Q. It was being done by an outside contractor? A. Yes.

Q. Was that renovation ever completed? A. No.

Q. When did it stop? [99] A. It was stopped soon after the directors meeting, of September 12th.

Q. It was stopped before or after? A. After.

Q. Afterwards? A. Yes.

Trial Examiner: You said directors meeting of September 12th?

A. Yes.

Q. (By Mr. Dyer) Mr. Oeland, when did the fact that the union, the Textile Workers Union of America organizational campaign at Darlington first come to your attention? A. I think it was the organizational letter that somebody handed to me and I am not certain of the date.

Q. Pardon? A. It was early in the spring of 1956, I am not certain as to the date.

Q. In any event it was in the spring time of 1956? A. Yes.

Q. Whom did you notify of the union organizational campaign? A. At or about that time I called Mr. Roger Milliken.

Q. And you informed him that the union was attempting to organize the plant? A. Yes.

* * *

[108] Mr. Dyer: Mr. Examiner, at this time General Counsel would like to offer a stipulation that all of the persons named as supervisors in the Complaint are supervisors with the exception of Mrs. McPharland, are supervisors within the meaning of the Act. I understand that Mr. Poag will so stipulate. That raises the question of the supervisory

status of Mrs. McPharland. Mrs. McPharland's name appears in only one paragraph, that is Paragraph 12 on Page 4.

Trial Examiner: The stipulation is that all persons except Mrs. McPharland who are named supervisors or agents are in fact supervisors within the meaning of the Act?

Mr. Dyer: Yes.

Trial Examiner: Is that so stipulated?

Mr. Poag: Yes.

Mr. Zimny: Yes.

Q. (By Mr. Dyer) Mr. Oeland, I think we can arrive at some value for the looms, can you give an idea of the pneumagil installation, done by your people or was it being done on an outside contract? A. The outside, I mean the duck work, we bought that installed, the actual application of the parts on the spinning frames was done by our help under the supervision of a man sent there by the people that we bought them for.

Q. Was this contract a contract for a short time or a contract for quite a lot of pneumagils? [109] A. Well, there was several installations.

Q. Were there several different contracts with several different installations? A. Yes.

Q. Can you give the value of the contract for lets say the duck work? A. The value of the contract, what is that?

Q. For duck work? A. No, we bought it installed, they furnished it. We bought that part installed, that was in the contract.

Q. Can you give us the value of the contract for the pneumagil that was installed and for the parts? A. As I remember it was about $80,000.

Q. Was that for just one contract or for a series of installations? A. I think that was for the last contract.

Q. That was just for the last installation? A. Yes.

Q. And that installation was to be made in 1956? A. Yes.

Q. And that installation was being made at the time of the election on September 6, was it not? A. Yes.

Q. But there had been prior installations of pneumagil equipment?

[110] Q. Can you give us for the sake of the record— A. I did.

Q. What pneumagil equipment is? A. On a spinning frame there is a clearer we call it that goes up under the spool so that when the end breaks down, it catches the cotton coming through and wraps it around this clearer in order not to keep it from going all over the place, and perhaps knocking down other ends.

Q. This installation does away with that revolving clearer? A. It is an air suction put in to draw that cotton down into a duck and collect it all at one end of the frame or at certain points.

Q. In other words it is more or less a waste collector? A. No, it is a waste collector but it is cotton that you can use again.

Q. Would it be cotton that just collects on the frames and is taken off of the spinning frames at that time and is returned to a spot where it could be subsequently reused? A. Yes, that is right.

Q. And I think you said there were about three or four installations altogether? A. As I remember we did one installation, the first we tried was in the Whitin room on the 27 frames, and then the next installation was in the upstairs spinning room on filling for 32 frames, it could have

been 48, either two [111] or three, and the last one we were in the midst of installation for the balance of the spinning that we had.

* * *

Q. (By Mr. Dyer) And approximately how many spinning frames would that be? A. 128 as I remember.

Q. Now 128 was the balance? A. No, the entire mill.

Q. Well then, the other two installations——

Trial Examiner: 128 what?

A. For the entire mill?

Trial Examiner: We are speaking of what? 128 frames?

Mr. Dyer: Yes. Then that last installation was for about half of the total that had been done before, is that right?

A. No, it was for more than that.

Q. More than half? A. Yes.

Q. You don't remember the contractor's price for the total? A. Yes.

Q. It is reasonable to assume that they would be in the neighborhood of $80,000? A. Yes.

Q. Now can you give us, you said there was an outside contract for some of the work being done in the expansion of the weave room? [112] A. Yes, that is right.

Q. What was the value of that contract? A. As I remember it about $35,000.

Q. When was that contract let? A. It was let some time as I remember around June.

Q. June of 1956? A. Yes, that is right.

* * *

Q. But you had some ideas of your own for further expansion or modernization of the plant? [113] A. Yes.

Q. In which direction, was it modernization of the weave room or what? A. No, it was additional spinning frames.

* * *

Q. When did you first learn what the tally of ballots was? A. Somebody that was present came to the office and told me about it.

* * *

[114] Q. (By Mr. Dyer) Mr. Poag then told you that the union had won the election by 256 to 248? A. Yes.

Q. And did you call Mr. Milliken then and tell him that? A. I could not get Mr. Milliken until the next day.

Q. Until the next day? A. Yes, until the next day about noon.

Q. And where did you reach him the next day? A. In Spartanburg.

Q. And you told him of the outcome? A. Yes.

Q. Do you know whether you were the first to tell him of the outcome of the election? A. As I remember I think Mr. Poag had contacted him before I did.

* * *

[115] Q. When did he first tell you that he was going to call a special Board of Directors meeting? A. He told me Monday,

* * *

A. He called me actually as I remember on Monday and told me that they were going to have a directors meeting.

Q. Was that the first time you heard that there was going to be a directors meeting? A. Yes, that is right.

Q. And that would be Monday, September 10? A. Yes.

[116] Q. And what is the regular method of calling a board meeting? A. We try to give a notice, written notice prior to the directors meeting of ten days or two weeks. If we cannot furnish it in a case like that written notice ahead of time then we carry that to the directors meeting and get all the directors to sign what you call it, an agreement.

Trial Examiner: A waiver of notice?

A. Yes, that is right, a waiver of notice.

Q. (By Mr. Dyer) Did you contact the other directors and inform them of the special meeting? A. Mr. Milliken asked me to contact two local directors, which I did.

Q. Do you know who contacted the other directors? A. No, I think he told me in the telephone conversation that he would take care of that.

Q. Well, were you present at the directors meeting that was held? A. Yes.

Q. That was held on September 12? A. Yes.

Q. Where was that meeting held? A. At Drayton Mills office of Drayton Mills, Spartanburg.

Trial Examiner: Office of whom?

A. Drayton Mills, Spartanburg, S. C.

Q. (By Mr. Dyer) In the offices of Drayton Mills?

[117] A. Well, we used the offices for the meeting.

Q. Now when Mr. Milliken called you on that Monday, what time was it he called you? A. My recollection is not clear, I would think, I would have a feeling that it was in the morning but I am not sure. It could have been afternoon.

Trial Examiner: You are speaking of the telephone conversation with Mr. Milliken on the——

Mr. Dyer: On Monday, September 10.

Q. Mr. Milliken at that time told you what the purpose of the special meeting of the board of directors was, did he not? A. No.

Q. What did he tell you about the meeting? Did he tell you what the purpose of the meeting was? A. No.

Q. You did not know when you went there? A. No.

* * * *

[118] Q. Labor Day in 1946 was given as a vacation day was it not? A. Yes.

Q. Who decided to make that a vacation day? A. I decided it, on the recommendation of my supervision.

* * *

[121] Q. (By Mr. Dyer) Mr. Oeland, before lunch hour I questioned you in regard to the September 12 stockholders meeting and I think you stated that you were present, or the board of directors meeting? A. Yes.

Q. You were present at that meeting? A. Yes.

Q. And were minutes of the meeting made? A. Yes.

Q. Who made the minutes? A. I did.

* * *

[122] Q. Now are the minutes that were made of the meeting, are they in time sequence, in other words when you made up the minutes did you make notes of what happened first, second and third, is that the way you made up the minutes? A. I tried to, I tried to take some notes and put them in.

Q. In other words what first appears in the minutes was probably what first came up and then what is next was what came up next? A. Yes, that is the way I have got them.

[123] Q. Now at this meeting a proposal was made for the liquidation and dissolution of the Darlington Manufacturing Company? A. Yes.

Q. Who made that proposal? A. Mr. Roger Milliken, the president.

Q. And did he propose the resolution, I think there was a formal resolution in regard to it, did he propose it? A. Yes.

* * *

[126] Q. Mr. Oeland, approximately how long did that board of directors meeting last? A. Have I got on there when it started?

Q. I notice at the top it says at 12:00 P. M. A. Well, that was, I mean 12:00 P. M. is when it started and as I recollect we were out by 1:00 o'clock.

* * *

[127] Q. Did you receive any instructions regarding liquidation at that meeting? A. Verbal instructions as to what I was to do between the directors meeting and the stockholders meeting.

Q. And from whom did these verbal instructions come? A. Mr. Roger Milliken.

Q. And what were those verbal instructions? A. That I was to take steps to see what could be done to hold up any of the contracts of work that were going on around the wheels but to keep the plant status quo for the final decision of the stockholders.

Q. Well, was any mention made of starting new production or just holding on to the production that was under way at that time? A. It was suggested that we not accept any more orders for cloth or make any more sales of cloth, that we had some on the books that would take up production of the plant during that period.

Q. And at that meeting was it decided when to hold the stockholders meeting? A. Yes, the notice was prepared and went to the paper, the Darlington paper that afternoon.

Q. Were you instructed to inform the supervisors concerning this action? [128] Yes, at least I requested that I be allowed to tell the supervisors about the action of the directors rather than let them pick up the morning paper, I thought they had a right to know it.

* * *

Q. Did you receive copies of various resolutions at the board of directors meeting? A. There was some two or three resolutions taken up.

Q. Did you receive copies of those at the board of directors meeting? A. Yes.

* * *

[129] Q. What about the resolution in regard to dissolution and liquidation? A. That was presented to them at the directors meeting, I had no copy prior to the meeting.

Q. At the directors meeting was a copy of that resolution given out to the various directors present? A. I don't remember that it was, no. It was read of course and discussed but if I remember not given to them.

Trial Examiner: You say it was read?

A. Yes.

Q. By whom? A. I am under the impression that Mr. Roger Milliken read it, that is my recollection, he is the one that discussed it.

* * *

[132] Q. (By Mr. Dyer) Is Mr. Byrd associated with Darlington Manufacturing Company? In anyway? A. He is purchasing agent for mill supplies.

Q. Does he have his own firm? A. No.

* * *

[133] Q. Mr. Oeland, at the time of the election do you know approximately how many employees were on the payroll? A. 523, that could vote.

* * *

Q. And in addition to that there would be some 20 or so supervisors plus ten or fifteen other clerical people? A. Yes, office personnel.

Q. And at that time what was the weekly payroll of Darlington Manufacturing Company at the time of the election?

* * *

[134] A. It was approximately $29,000 was the average for the year.

Q. That is just for the production? A. Yes, the wage employees.

Q. It would not cover supervisors and other clerical people? A. No.

Q. Mr. Oeland, do you recall that I was at the Darlington plant office and we went over some of the figures for the week ending September 1, 1956, was not the number of employees approximately 536? A. Are you asking me to agree with the figures you put down?

Q. That is what I want to find out. A. I cannot exactly agree. Of course the writing was a little bad so I tried to get it, and I think these——

Trail Examiner: Is there some difference?

Q. (By Mr. Dyer) Well, the payroll for 9/1—— A. The payroll for 9/1——

Trial Examiner: Does this have any significance?

Mr. Dyer: Yes, I want to show the gradual cut down in production, and number of employees.

A. You are correct on your record, less second hands as I say we pulled all of ours out and I think that is a difference in the figure, there was 527 instead of 536. You understand that, Your Honor, second hands were carried on the wage payroll but were eliminated from the figures. [135] It was 527, the figure for the week of 9/1/56.

Trial Examiner: The figure 527 excludes second hands, the figure 536 as I understand you to say, Mr. Dyer, includes some second hands? A. Yes.

Q. (By Mr. Dyer) Now the payroll for that week was almost $30,000 was it not? A. My figures for second hands excluded was $29,383.69.

Q. Now gradually following the election, the employment total dropped up until the date of October 17, the date of the meeting? A. We had, yes, my figures show we had from 527 to 512. The election you are talking about? —Q. No, from the date of the election until the date of the stockholders meeting on October 17? A. My figures show there was 512 on there——

Trial Examiner: When?

A. On the week ending November 13. No, October 13.

Trial Examiner: 512?

A. Yes.

Q. (By Mr. Dyer) And what about the week following that? A. The week following that was October 20, 462.

Q. Just give a picture of how the production was cut, all of your figures excluding second hands and anybody that could not vote? [136] A. Well, one or two people in the mill that we had considered questionable but the labor group felt that they were supervisors, I think particularly John Hancock in the shop, we never considered John Hancock a second hand but they felt that he should be eliminated, and then one or two others on the fringe line that——

Q. You are excluding from that—— A. Anybody that they said could not vote.

Q. In other words you are recalling exactly what the Board determination was in the appropriate unit? A. Yes.

Q. And could you give a picture from there on down how the employment tailed off? A. On the week of 10/27, it was 347; 11/3/ it was 178; 11/10 it was 138; 11/17 it was 116; 11/24 it was 52. Is that sufficient?

Q. Did you ever reach a point where no one was employed? A. No, we still have some watchmen there.

Q. Now can you give us the approximate figures on how the total wages paid out dropped off weekly by weeks? A. Well, on October 13 the wages was $24,178.78; on the week of the 20th, $23,150.44; on the 27th, it was $16,318.56; on the 3rd it was $6,511.78; on the 10 of November, it was $6,141.63; on the 17 it was $5,059.75; on the 24th it was $1,356.04.

[137] Q. Now prior to the date of Ocotber 17, between the date of the election, September 6, and the date of the stockholders meeting, October 17, there was some lessening in the employment figure right down through that time, was there not? A. Yes, some of our employees quit.

Q. And the amount of the payroll gradually from lets say a high of $29,000 on 9/1, that started tailing off right after that time, did it not? A. There was a reduction until on the 13, I gave you the figure $24,178.78.

Q. In other words the amount of the payroll and number of employees started falling off right after the election right on down until November? A. That is right.

Trial Examiner: Of course your question is confined to the period of September 6 and October 17, during that time you showed relatively small reduction in both number of employees and payroll. The witness said that some employees quit. I am wondering does that mean that the entire reduction during that period represents quits?

A. No Sir.

Q. (By Mr. Dyer) What about that? A. No.

Q. Was there some people that were actually laid off? A. No.

[138] A. I misunderstood the question, I don't know what you are talking about, numbers?

Q. Yes, that is correct? A. All those that were in that quit. We did not lay off anybody and did not discharge anybody.

Q. When was the first layoff? A. The first layoff we made was after October 17.

* * *

[140] Q. Now at anypoint in the week, let me put it this way, prior to the election, what was the standard work week? At Darlington Manufacturing Company? A. We tried to, it has been the policy and practice to operate six days a week for six days a week at 144 hours a week.

Q. And that would include practically all of the departments? It would vary because of the balancing of the mill,

would affect it; of course more likely affect the weaving department, whereas the yarn was available to weave. Of course there has been times in the last year when we did not have sufficient balance to operate the weaving full time but the object was to try to operate the plant 144 hours a week six days a week, three shifts.

Q. Into her words, Mr. Oeland, the production of one department, take weaving, would depend on the department that went before it? A. Yes, but you try to operate all departments on the basis of six days a week, three shifts in each department.

Q. And in the majority of instances you did do that prior to the election? A. Yes, that is right.

Q. Following the election was the amount of time in the various departments greatly reduced? A. Following the election, following the directors meeting?

[141] Q. No, following the directors meeting? A. We had accumulated some warper yarn over some months of time in order to have it available to warp these new looms when we made a start on them, when we got them installed, and this yarn was in the warehouse, and with the possibility of the stockholders taking action on business principals, we realized that we had better use that yarn which meant that the departments behind it would not run as regularly as they had been, which was only for the reason given that the change was made.

Q. In other words the departments up to the production of warper yarn there, after the directors meeting, got less work, the departments from there on out? A. Yes, that is true.

Q. Now did you formulate any plans as to how the production was to be curtailed? A. When?

Q. At any stage of the game? A. The production superintendent formulated the plans, I was close enough there to know what was going on.

Q. And you went along with his plans for gradual reduction? A. Yes.

Q. For instance, along immediately after the stockholders meeting, the people who worked in the opening and picker rooms were laid off and a number of spinners were laid off and most [142] of the departments right on up to the weaving were very quickly laid off after the stockholders meeting, were they not? A. As you understand, it would affect of course the card room and picker room first, and then would affect the spinning room and then the other departments down to the weave room. With the production superintendent and with the overseers we tried to formulate a plan that the people on jobs would, quitting would be laid off when their job was completed, or when they had part time, say maybe for one little group you had to call in for roving to supply some more roving, as a job they would be called in one or two days a week, and the people that cleaned up the machines in the, say with card room help, and we tried to formulate the plan and stick to it right through.

Q. In other words you were trying to plan to make everything come out even, what yarn you had backlogged to run that on through the weave room and make it into cloth but you did not start following the board of directors meeting of September 12, you did not start much new cotton through the process of making yarn, did you? A. The cotton was going through all of the time.

Q. Pardon? A. Some cotton was going through all of the time.

Q. Some but was not the amount reduced substantially? [143] A. It was reduced because of the preparations de-

partments as I told you earlier, nobody was laid off, you understand that?

Q. Work was reduced? A. Yes, the work week was reduced to try to balance out the production.

Trial Examiner: That was beginning when?

A. Beginning after the directors meeting.

Q. (By Mr. Dyer) Now did most of your people holding regular jobs stay on those jobs during this period following the directors meeting so that the number of spare hands did not get as much work as they usually got? A. That would be possible but in view of the fact that some of them had quit, we had materially reduced the second hands as brought out by those figures that I gave you, it is possible that some of the spare help did not get as much time as they had.

* * *

[144] Q. When, what day do you remember that a large group of people were first let go? A. As I said, it was a gradual thing because even though the wages might not show it, hiring a man perhaps even in the picking room or card room where part of the card room had to be run through to make the filling going to cloth, he might not get but one or two days a week but at least he was on the payroll until we finished with it, and then some were on the payroll after that getting the process through trying to clean up the machinery.

Q. Now in the card room, for instance, you regularly had about 48 employees? A. I think that is the figure?

Q. And somewhere around 140 in the spinning room? A. Yes.

Q. Now lets take the carding department, was not the carding department cut practically in half on the 18th of

October, according to your figures? A. I have not checked it, I guess you are talking about your figures?

Q. Well, I was trying to take my figures from your figures. A. Well, I did not go back and check them from your figures but your figures show out of 47 employed in the week before that we had 25 on the payroll.

[145] Q. Well, as far as your memory goes, do you remember that is about right? A. Yes, as far as it goes I think. I don't think there is a very big difference.

* * *

[152] A. May I be allowed to go back to the directors meeting?

Q. Yes, that is where it first came in? A. Yes, at this meeting Mr. Roger Milliken brought out that there were certain conditions at Darlington that needed reappraisal in view of the recent turn of events.

Mr. Poag: In——

A. In view of recent turn of events, that Darlington Manufacturing Company over the previous five years had failed to show much more than three percent return on the investment, that the Japanese situation was getting bad or made the competition very keen, and the margin of profit was very low at this time. That in order for Darlington to complete modernization it would be necessary to put in air conditioning and refrigeration, which in itself was a sizeable amount of money and the cost [153] of the building there, all selling high, the physical condition as well as the limited room around for expansion that it was questionable whether we should put out this amount of money for such an expense. In addition the trend was going towards wider cloth, that all of Darlington's looms up to the ones that had

been recently purchased were forty inch looms, and in the next five years it is very possible that we would have to replace a good many of our looms with wider looms which would necessitate another sizable amount of money to spend. That in view of these economical and business reasons he recommended that the directors give serious consideration to the rest of the stockholders to liquidate.

Q. You referred to Mr. Milliken's statement in regard to the Japanese textiles, the trend to wider looms and the possible outlay for refrigeration and air conditioning, but those were not developments of the moment, what were the certain developments which necessitated the meeting of the Board of Directors? A. I do not remember his exact words but he used some similar words at the recent election where the majority of the people in the plant were not, by their vote for the union he felt would not be willing, they would not be willing to go along with the management in making it possible to show a return on the investment.

[154] Q. In other words the words certain developments and such serious import referred to the election, did they not? A. I would think that, I mean certainly the certain development did, I don't know about the serious import, I question that.

Q. However, Mr. Oeland, there was no particular mention made in the minutes of the board of directors meeting for September 12 of an exhaustive and careful analysis of certain developments? A. No.

Trial Examiner: That last phrase, Mr. Dyer, I think is taken from another resolution.

Mr. Dyer: Pardon?

Trial Examiner: Were you reading from something, "exhaustive and careful analysis"?

Mr. Dyer: Those words are in General Counsel Exhibit 8 for identification.

Q. One of the paragraphs of the resolution, Mr. Oeland, refers to "The company shall go into liquidation after its present goods in process are fully manufactured, or at such time as it is determined by the officers of the corporation that such goods in process are manufactured to the extent as may be reasonably and conveniently done." Actually, at the time of the stockholders meeting there was very few goods left in process, were there?

* * *

[161] Q. Now the next point that was brought up in the board of directors meeting was that a resolution to the effect that $10.00 per share would be paid as the first distribution of the assets to stockholders of record as of 6:00 P. M., December 15, 1956, is that correct? A. No, I think the record—yes, that is right.

Q. And was such a distribution made? A. Yes.

Q. And from what funds was that distribution made? [162] A. From the company funds.

* * *

Q. I understand that there was approximately 150,000 shares of outstanding stock, is that correct? A. Yes.

Q. And so the distribution of $10.00 a share would amount to $1,500,000? A. Yes.

* * *

Q. From what funds was the distribution made? In other words did you have any particular fund from which it was made? Did you have cash on hand of $1,500,000? A. We did.

Q. Was that from receivables or was it just laying around in the office, in the bank or what? A. It was, some of it was in the bank, some was receivables from out selling organization.

Trial Examiner: From your selling organization? [163] A. Yes.

Q. (By Mr. Dyer) That selling organization is who? A. Deering, Milliken Company.

* * *

[172] Q. Mr. Oeland, I notice in the reference made in the minutes to payment to a Mr. T. J. Glenn? A. Yes.

Q. In connection with personnel matters? A. Yes.

Q. Who is Mr. Glenn? A. He is a friend of mine in Union, S. C.

Q. And what connection does he have with Darlington Manufacturing Company? A. He has no connection except for some services that he rendered.

Q. And these were in regard to personnel matters? A. Yes.

Q. With whom? A. Mr. Glenn is connected with Monarch Mills in Union, S. C.

Q. In particular what was the personnel matters? A. I requested that he come to Darlington and survey the situation and see if there was anything that we were doing or anything that should be done with regard to the Union organizing the plant.

Q. And did he make such a survey? A. Yes.

Q. When was that made? A. He was there on several occasions.

Q. When, before the election or prior to the election? [173] A. Yes.

Q. And what was the nature of the survey, was it conducted in the plant? A. Yes, he made personal contacts with the supervisors and the workers. He had conferences

with supervisors and conferences with myself and supervisors.

Q. And you stated that he did talk with various workers? A. Yes. To my knowledge he went down there some times early in the morning or late at night and talked to them and got his impression on conditions and things that were going on.

Q. And did Mr. Glenn give you a report on his survey? A. Nothing more than verbal report on his advice.

Q. And what did that consist of? A. Consisted of things I just——

Q. Well, in specific terms what was some of the advice that he gave you? A. Some of the things we discussed was whether the supervisors were handling their relationships with the employees at this time as under the law, the Taft-Hartley Law.

Q. In other words was he telling, was he retained by you to discover whether you were within the bounds of the law in your actions? A. That was one of the things he was doing.

Q. Was Mr. Glenn a lawyer? A. No, he was a personnel manager.

[174] Q. Mr. Oeland, what was the fee given to Mr. Glenn? A. $500.

Q. Now was his only function to determine whether the supervisors were acting within the law or did he have other functions? A. He was making a survey of the situation for Darlington during this period to give us his best advice and help on the problem of our presenting to our supervisors information or help that would be helpful in the employees making up their minds on this question.

* * *

[180] Q. Mr. Oeland, you have given us various dates on when the complement of employees dropped way down, could you say that actually following the 3rd of November most of the production work about that time had about ceased and what was remaining was the remaining process of cleaning up the machinery and getting the machinery in readiness for the auction sale? A. I would say yes, that is fair to say that.

Q. Was the auction sale held as scheduled? A. Yes.

[181] Q. Just one point. Do you remember that the new looms, the 84 new looms that had been purchased were auctioned off at this sale? A. Yes.

Q. They were completely unused looms? A. Yes.

* * *

Q. Let me ask you this, Mr. Oeland. You do know that the Darlington Manufacturing Company lost money on those new looms? A. Yes.

* * *

[225] Mr. Zimny: Mr. Examiner, the last order of business before the recess was your ruling on the Petitions to revoke the subpoenas. The union is now prepared and wishes to make an offer of proof in regard to your ruling in relation to the subpoenas upon Roger Milliken in his capacity as President of Deering, Milliken & Company, Incorporated, Deering, Milliken Company, Incorporated, and the Deering, Milliken Service Corporation.

* * *

[226] In order that the Board will have before it a complete record as to the relation of the proof sought to be adduced by the revoked subpoenas to

the matters in question in this case, [227] The Textile Workers Union of America hereby submits the following Offer of Proof:

The Textile Workers Union of America offers to prove through the testimony of Roger Milliken as President of Deering, Milliken & Company, Inc., Deering, Milliken & Company, Inc., and Deering, Milliken Service Corporation, the latter two corporations through duly authorized officers or agents, that:

Deering, Milliken Company, Inc., is a New York Corporation whose main offices are at 240 Church Street, New York City. This Corporation is engaged in the textile business as exclusive selling agent and textile merchants for a large number of companies. The officers of Deering, Milliken and Company, Inc., are as follows: Roger Milliken, President; Gerrish H. Milliken, Jr., Vice President and Assistant Treasurer; Seth M. Milliken, Vice President; J. C. Harris, Vice President, A. J. Dillard, Vice President, W. Kuenzel, Vice President, Harold A. Hatch, Vice President and Assistant Treasurer; Joseph R. Smith, Vice President and Assistant Treasurer; Minot K. Milliken, Vice President and Treasurer; W. B. D. Stroud, Vice President; Francis G. Kingsley, Vice President, I. P. Crowther, Vice President, Alexander J. May, Vice President, Charles W. Kable, Jr., Secretary and Assistant Treasurer, E. F. Flanigan, Comptroller and Assistant Secretary.

The directors of Deering, Milliken & Company, Inc., are [228] as follows: Roger Milliken, Gerrish

H. Milliken, Jr., Minot K. Milliken, Francis G. Kingsley, Harold A. Hatch. Deering, Milliken & Company, Inc., exercises control over all of the activities of a large number of textile mills, most of which are in South Carolina. This control includes a dominant and controlling voice in each of these mills' labor relations. None of these mills are unionized. Among these mills are the following: Monarch Mills, with plants in Union and Lockhart, S. C.; Abbeville Mills Corporation in Abbeville, S. C., Darlington Manufacturing Company, Darlington, S. C.; Drayton Mills, Inc., Spartanburg, S. C. Excelsior Mills, Inc., with plants in Union, Clemson, Pendleton, McCormick and Johnston, S. C., and a plant in Rutherfordton, N. C.; Gaffney Manufacturing Company, Inc., Gaffney, S. C., Gayley Mills Corporation, Mariette, S. C.; Laurens Mills, Inc., Laurens, S. C.; Pacolet Manufacturing Company, with plants in Pacolet and Pendleton, S. C., and New Holland of Gainsville, Georgia; and the Deering Milliken Service Corporation with headquarters in Greenville, S. C.

The control over these and other affiliated companies is exercised by Deering, Milliken Company, Inc., through interlocking officers, directorates, controlling stock-ownership either outright or by Deering, Milliken & Company, Inc., or through its officers and directors individually and as trustees for members of their respective families or [229] friends or others, or by control of the stock proxies that are carefully solicited prior to each stockholder's meeting.

Deering, Milliken & Company, Inc., also controls its affiliated companies through its position as exclusive sales agent. In its capacity as sales agent, it functions as a sole marketing outlet. Without these markets, the affiliated companies would be economically helpless. In this capacity it also controls the quality, quantity and type and cost of production of its affiliated companies. Deering, Milliken & Company, Inc., also factors the accounts of its affiliated companies and in this way provides essential operating capital. Deering, Milliken & Company, Inc., is the principal debtor of its affiliated companies and almost all of their accounts receivable are attributable to sales by Deering, Milliken & Company, Inc. The availability of these receivables determines policy on expansion and modernization of the affiliated mills. Deering, Milliken & Company, Inc., also purchases the raw materials for its affiliated mills.

* * *

[234] Centralized and coordinated control over activities in these subsidiaries is also maintained by Deering, Milliken & Company through research and Service Corporations which are in turn governed and controlled by the parent Deering, Milliken & Company, Inc. One of these corporations is the Deering, Milliken Service Corporation. This corporation provides the [235] following services for plants in the Deering, Milliken chain: Industrial engineering, purchasing, costs and placement, fibre quality control, research.

* * *

[238] Deering, Milliken & Company, Inc., exercises complete control over the labor relations and labor policies of its constituent mills. Thus through the industrial engineering facilities of the Deering, Milliken Service Corporation, it enforces and maintains a uniformity of work assignments, work efficiency, job classifications, wage rates, employee training programs and employee recruitment. Deering, Milliken also maintains and enforces in its constituent mills, including Darlington, uniformity in all other terms and conditions of employment, including hourly, piece and incentive wage rates, shift premiums and plant minimums. Fringe benefits are also uniformly maintained. These include holidays, vacation and employee insurance programs. The vacation pay plan is in fact known as the Deering, Milliken Vacation Plan (General Counsel Exhibit 3).

[239] General wage increases are put into effect simultaneously in all Deering, Milliken & Company, Inc., mills. The last general increase was announced by Roger Milliken as president of Deering, Milliken & Company, Inc., on October 3, 1956, effective October 8, 1956. It was put into effect simultaneously in each of the Deering, Milliken & Company, Inc., mills. The increase was not put into effect in the Darlington mill by Deering, Milliken & Company, Inc., because of the charging union's election victory on September 6, 1956.

Deering, Milliken & Company, Inc., also maintains uniform policies regarding the top management of its constituent mills. Their compensation, pension and retirement rights, as well as other rights

and benefits, are uniformly maintained. Thus a uniform retirement plan covering executives of all constituent mills is maintained. This is known as the Deering Milliken Mills Retirement Plan, (p. 2 of General Counsel Exhibit 7).

One of the keystones of Deering, Milliken & Company, Inc., labor relations policy in all of its mills is its unwillingness to tolerate unionization among its workers. This policy has been strictly adhered to so that at the present time there are no unions in any of its operating mills. Past attempts at unionization in constituent mills have been defeated by Deering, Milliken through carefully planned and executed tactics. The enforcement of this anti-union policy is [240] responsible for the closing of the Darlington Manufacturing Company, the Respondent herein.

* * *

[242] The closing and liquidation of the Darlington Manufacturing Company, the Respondent, is the most recent manifestation of Deering, Milliken policy which is not to operate mills which are unionized or in which a substantial group of employees demonstrate their desire for a union

The union campaign started at the Darlington Manufacturing Company in the spring of 1956.

Trial Examiner: Mr. Zimny, in connection with these other plants to which you have just referred, has the Board found unfair labor practices?

Mr. Zimny: I have no record of charges having been filed in those situations.

Roger Milliken, as president of Deering, Milliken & Company, Inc., was immediately notified of

this development by James M. Oeland, plant manager of Darlington Manufacturing Company, (record pp. 99). Thereupon, Deering, Milliken & Company commenced its campaign against the union. It prepared anti-union posters and propaganda which were placed in all of the working areas in the mill and circulated among the employees (General Counsel Exhibits 4 and 5; record pp. 100).

* * *

[247] The total production of Darlington has been transferred and absorbed by other Deering, Milliken Company plants in South Carolina and vicinity and so Deering, Milliken Company has suffered no depletion in the type and amount of products available for sale by it. On the other hand, it has succeeded in preventing and destroying a union in one of its plants and in warning employees in all of its other plants, as well as textile employees throughout the South that if they try to organize a union, they will suffer economic capital punishment. They will lose their jobs, their plants will close and their families, friends and community go hungry.

That completes the charging union's offer of proof.

* * *

[254] LAWRENCE WILSON COOK, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner: State your full name?

* * *

Q. And your address? A. Route No. 4, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mr. Cook, did you ever work for Darlington Manufacturing Company? A. Yes.

Q. What was your job there? A. A filling offer.

Q. How long did you work there? A. Approximately two years.

Q. What department did you work in? A. Spinning department.

Q. What shift were you on? A. The second shift.

Q. Who was your supervisor? A. Mr. D. K. Shirley overseer and Frank Kinsey second hand.

* * *

[255] Q. Mr. Cook, did you ever attend any union meetings? A. Yes.

Q. Did any of your supervisors ever mention union meetings to you? A. Mr. Kinsey on the following Monday after the meeting held on Sunday afternoon asked me what size crowd we would have and that was primarily all the subjects he talked about, how many we had at the meetings.

* * *

Q. (By Mr. Dyer) Mr. Cook, did Mr. Kinsey just ask you about this one time or more than once? A. It was more than once, but I could not say whether it was two or three, in other words he did not ask me every week how many we had, but some times we get around to being there, he would say what size crowds did you have this time, and I would always say a good crowd, which we did have a pretty good attendance.

Q. Did he ask you anything else concerning that? A. No, not about the meeting.

Q. Did any of your supervisors besides that talk to you about the union? [256] A. Yes Sir, Mr. Shirley talked to me concerning the union.

* * *

Q. Who talked to you first? A. Mr. Kinsey on July 25 informed me that Mr. Shirley was going to talk to me if he had not already talked to me and I told him he had not and I would welcome the opportunity if he wanted to talk to me.

Q. Did Mr. Shirley thereafter talk to you? A. Mr. Shirley on July 30, sent for me to come to the office he wanted to talk to me.

Q. What office was that? A. It was his particular office in the spinning department.

Q. Where is this, is that the overseer's office? A. Yes.

Q. Where is the overseer's office located? A. It is located on the fourth floor.

[257] Q. What time of day was it when you got up there? A. He relieved me with my responsibility of a job at 4:15 and kept me until 4:45 talking principally a half hour.

Q. What was the conversation that you and Mr. Shirley had? A. Mr. Shirley told me he had been intending to talk to me for some time about the union, and said that he had been getting reports that I had been talking to the help, he told me that I had talked to his help, and he said that it was going to be his duty to inform me not to talk to them on the job and I told him that I had not talked to them on the principal job, I had been talking to them in the bathroom and the tower and other places other than on the job. He also told me that if he got any more reports on me, he was going to have to do something about it and I told him he

could do whatever he pleased about it, that if anybody told him that I had been talking to any of his help on the job and for that conversation it would be a falsehood, that I had a good telephone at home, I had been using it and I would use it a little bit more.

Q. Was there any more conversation that you remember? A. Well, not right off that I could remember and put altogether.

Q. Was anything said about Mr. Shirley, about the operation with the union? A. Mr. Shirley told me, talked with me again on August 31, and at that meeting——

Q. Where was that he talked to you on the 31st? [258] A. How is that?

Q. Where was it he talked to you? A. He sent for me to come back to his office, in other words he came back down and informed me personally to come to the office.

Q. And what was the conversation at that time? A. He started off and said, "Well, I guess you know why you are in here", and I told him, "Yes, I did, that Bill Goodwin saw me talking to Mrs. Jackson", and I told him, I said, "I can assure you that the conversation was not about the union at all," I said, "It was not for the union or against the union, in other words primarily we were talking about the conditions of work, the way the work was running and we were talking about that, that was our subject, and at that time he told me that the union, if it came in that the mill would not operate with it. And he also informed me that, or asked me rather what percentage of the people we thought that we had, and I told him he would have to wait until that following Thursday and he would see in the election. He also asked me did I think the people would be foolish enough to vote that thing in here, and I told him I did and he said, "Well, I am going to have to ask you to

refrain from talking to anyone at all and not to go in the departments, in other words in the room where my job is at until 4 o'clock, regular work schedule time.

[259] Q. You mentioned Mr. Goodwin, in that conversation—A. Well, in other words Mr. Shirley came back to me on September 12 after the stockholders meeting was held,——

Q. Just a second, who is Mr. Goodwin? A. Mr. Goodwin is the superintendent.

Q. He is the production superintendent? A. Yes.

Q. Now were there any further conversations about the union? A. Not particular at that time, with Mr. Shirley whenever I was talking to him in that meeting but on September 12th, Mr. Shirley came down on the job and said "Mr. Cook, do you remember the time I talked with you last, I told you that if you folks voted that thing in here, (the mill would surely shut down;) now they are liquidating the stock, and", he says, "I hope you are sorry for those 500 people", that he sure is himself, and I said, "Well I am too. If the mill shuts down I am sorry." And so he left me and a few minutes later Mr. Goodwin came to me, where I was at and he said in a loud tone, said, "Well, I guess you heard the news", and I said, "Well, I don't reckon you can blame me for all of it", and he said, "Well, yes, 90% of it." He said, "It was a mistake when they hired you in the first place", and I said, "Well, for sure you did not hire me". He said "No, but Lee Cook did," and I said "Lee Cook did not, Mr. Mullendore hired me". And he said, "Well, when you get all of these people on [260] your conscience and your pocketbook is flat I hope you are satisfied", and I told him my conscience was clear, and he went on.

Q. That was on the afternoon of September 12? A. Yes, that is right.

Q. When were you laid off? A. I was laid off or terminated on October 24 at midnight.

Q. Have any improvements been made in the machinery in your department during the past year? A. Yes, they put on what they call the pneumafill in the department where I worked in the Whitting range, it is a new type of roving creel and a suction or draft or suction for a larger roll lap, it was a suction lap.

Q. How about bobbins, were they the same? A. No, they put on different type of bobbins, they put on a bobbin that had been set off and altered and peaked to approximately an inch or inch and a quarter or something similar to that and they used primarily around five or six frames on the job.

Q. Were they longer or shorter? A. Longer bobbins.

* * *

Cross Examination

Q. (By Mr. Price)

* * *

[261] Q. Now you came back and started working in 1954, lets get down to these conversations with these people, Mr. Kinsey was your second hand? A. Yes, that is right.

[262] Q. He talked to you twice about the Sunday meeting, is that right? A. As far as I remember I would say twice.

* * *

Q. Mr. Kinsey did on two occasions ask you how many you had out there? A. That is right.

* * *

Q. And that is all he said? A. Yes, that is right.

* * *

Q. Now coming down to Mr. Shirley, he was the overseer? A. Yes, that is right.

Q. And the first conversation you had with him on July 30, he merely told you that you must not talk to people on the job about joining the union? [263] A. No, he said he had been getting reports from me talking to the people, and if I did do so he was going to have to do something about it, he never did say what he was going to do, but I had it in mind that he would probably lay me off.

* * *

Q. (By Mr. Price) My question was, did not Mr. Shirley on the 30th of July when you had the first conversation with him in his office, tell you in this same conversation that you had a perfect right to join the union if you wanted to? [264] A. He said I had a perfect right to my opinion and he had a right to his opinion, that he did not see where the union would do us any good. I told him I thought it would.

Q. That is right. You had quite a little argument about it, did you? A. No, we did not have no argument, there was no hard feelings at all, and no atmosphere of hard feelings.

Q. And he told you that you were welcome to your opinion and you could join the union if you wanted to, did he? A. Yes, but he also told me in further conversation that if we brought the union in that the mill would not operate.

Q. All right, that was the first or the 30th of August. and the 30th of July conversation he did not say a thing about the union would stop, or about the mill would stop, did he? Is that right? A. Well, there has been so much said about it I can't remember every time which date.

Q. Well, you got up there a while ago and very glibly told what had happened on the 30th of July, and I am asking if at that time he said anything to you about the possibility of the mill closing down? A. Well, Mr. Shirley went far enough to tell me that he had worked with the union up at Goldsboro or somewhere up there and he could not get along with it and he was sure that if we brought it in here that it would be, we could not get along with it there.

* * *

[266] Q. Now then, at this time he did tell you I believe you said, that he felt that if the union came in there the company would liquidate and go out of business? A. Yes, he did not say liquidate, he said close down.

Q. That was just his opinion? A. Well I don't know whether it was his opinion or where he got the information from.

* * *

[267] Q. (By Mr. Price) Well, was it his idea or not, did he say if you had been out on strike and the union came in there the mill probably would close? A. He did not mention strike at all.

Q. But he did say—how did he say that exactly? About the mill closing? A. He said if we voted that thing in here he was sure that the mill would not operate.

Q. That was on the 30th of August? A. Yes.

Q. Now then, you did have another conversation with him the day after the election or the day of the election, which was it? A. It was on September 12th, the day of the stockholders meeting, the last conversation I had with him.

Q. Is that the stockholders meeting or the directors meeting on September 12th? A. Oh, the directors meeting.

Q. What conversation was it you had with Mr. Shirley? A. He came to me and said, "Mr. Cook, you know the last time I talked with you I told you that if you folks voted that thing in here that this company would liquidate", and he said, "Well, they are liquidating the stock, and", he said, "the mill is going to close," and I said, "Well, if they are going to [268] close I am sorry", and he said, "I hope you are sorry for these 500 families", and I told him when they was informed of the closing I sure was sorry for them.

Q. And he was telling you the fact that the directors meeting had recommended to the stockholders and passed a resolution, you knew that did you? And that is all he told you?

Mr. Dyer: I object, he just asked what he had been told and now he is arguing with the witness.

Mr. Price: That had been put in the newspaper had it?

A. It was published afterward, yes.

Q. And in fact what Mr. Shirley told you was nothing more or less than you could see in the newspaper, was that right? A. I had not seen the newspaper, Mr. Shirley came to me that same day after this meeting that they got the word back from Mr. Oeland I understand.

Q. Then when you had the conversation with Mr. Goodwin, what was it Mr. Goodwin said to you, you say? A. Mr. Goodwin came up to me and said, "Well, I guess you heard the news," and I said "Yes, but I don't think you can blame me for it", and he said, "Yes, ninety percent of it". He said "It was a mistake when they hired you in the first place." I said, "Well, for sure you did not hire me", and he said, "No, Lee Cook did", and I said, "Lee Cook did not, Mr. Mullendore hired me", and he said, "Well, you have got

these [269] people on your conscience and your pocketbook is flat, I hope you are satisfied," and I told him "My conscience is clear," and Mr. Goodwin left.

Q. Your conscience was clear and he left? A. Yes.

Q. Did Mr. Goodwin walk over to you? A. No, Mr. Goodwin came down voluntarily there.

Q. Was that in the mill? A Yes, I was on the job at work.

* * *

[271] *Cross Examination* (By Mr. Updike)

* * *

[279] Q. Now, at these union meetings to which you referred, or at least at some of them, Mr. Boyd Payton spoke, did he not? A. Yes, that is true.

Q. And he has testified here as Southern Director of the Textile Workers Union of America? A. Yes, that is right.

Q. You knew him by sight? A. Yes, I did.

Q. Now, had he ever spoke at any union meeting about getting higher wages for those people who were his listeners there? A. He did not directly tell us he would get us anything whatsoever.

Q. In other words he told you, give your memory of what he said?

* * *

A. So we will understand, he did not directly state that we would get anything.

Q. Did he indirectly state that he would get you something? [280] A. He did not. In other words he outlined other places where they had contracts and similar to where we might get these same conditions.

* * *

[282] Mr. Updike: I was going to add to that, did either Mr. Payton or any of his assistants get up and address your union meeting and talk in terms of what the union could do to get higher wages for those employees?

A. He did not say he would or would not.

Q. Did he talk about higher wages? A. He said there was a possibility that if they saw where the company could afford to pay it we could probably get it.

* * *

A. We were told only as to what other contracts and other mills got for the similar type of work that we did.

Q. And were they getting more at other mills according to what you were told? A. Yes.

* * *

[289] MRS. ELIZABETH JOHNSON, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. 346 Buchanan Street.

Direct Examination

Q. (By Mr. Dyer) Mrs. Johnson, did you ever work for Darlington Manufacturing Company? A. Yes Sir, for approximately four years.

Q. And what was your job? A. During the latter part spinning. The first year was in the cloth room working.

Q. So for the first year it was cloth room work and the last years spinning? A. Yes.

Q. What shift did you work on? A. The third shift.

Q. Who were your supervisors? A. Mr. Shirley was the overseer and Mr. Shirley Passmore was second hand.

[290] Q. Did any supervisor ever talk to you about the union? A. Yes.

Q. Who? A. Mr. Shirley.

Q. Did anybody else ever talk to you about the union besides Mr. Shirley? A. Our superintendent, Bill Goodwin.

Q. Lets take Mr. Shirley first, when was it that he talked to you about the union? A. It was some time after, I don't know just, I don't remember the date but I do remember it was in July some time after July first he asked me to come to his office.

Q. Was it during the first part of July or middle part or last part? A. I believe it was the last part.

Q. And did this conversation take place in his office? A. Yes.

Q. How did you happen to get to his office? A. Well, he asked me about coming by and he asked how I was getting along and active since the accident that I had on the 26 of June.

Mr. Price: I can't hear her.

A. He asked how I was getting along after the accident I had in June, I told him I would like to see another doctor and the conversation picked up and he asked me how I felt [291] about the union, and I told him I thought it would be a good thing, and he said what, and I repeated it, and after I repeated it Mr. Shirley said that he worked in a mill where they had a union and he never did intend to work in another mill where they had one, and I asked him if I could get to see a doctor and he said he would have to see the mill nurse.

Q. Did he say anything else about the mill operation? A. He said the mill was not making enough profit to be able to afford a union, said it was just making two percent profit and they could not afford a union activity or union whatever you call it. And this conversation took place in his office on the fourth floor at the head of the stairs.

Q. How did you happen to go to his office? A. He asekd me if I could come by the office one morning when I got off work.

Q. Now was this the only time Mr. Shirley talked to you about the union? A. Yes, as far as I remember.

Q. You mentioned Mr. Goodwin, when was it Mr. Goodwin talked to you about the union? A. About September, along about the 11th I would say.

Q. Where were you at the time? A. On the job.

Q. Now was this at the beginning or end of your shift? A. The end of my shift.

[292] Q. What did Mr. Goodwin say? A. He said, "I see you have still got that button on", and I said "Yes Sir, I am not a liar or a cheat or a hypocrite", and he said, "I admire your courage", and he asked me if I had seen the doctor yet and I told him that I had not, and he said he had a new nurse he had hired, why did I not go down and see her and see if I could not get some more medical attention, and our superintendent, he told us people that if we voted the union in the plant that they would shut it down, and that they would start shutting it down in about thirty days, and I asked him, I said, "I might want a recommendation, how would I stand up", and he said if I did not go to one of the Milliken mills I had a good recommendation but he would have to tell them that I voted for a union, and I said "You don't have any record that I voted for the union, how do you know", and he said "I take your word

for it. I told Mr. Goodwin that was good enough for me, and he said I had a good work record and that he would have to tell them that I was a good hand.

* * *

Q. Was any new equipment put in the spinning room during the past year that you worked there? [293] A. Yes, pneumafill.

Q. Did you see anything else? A. They had some air conditioning but I don't know when they were installed.

* * *

[295] MRS. NETTIE WHITLEY, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. 342 Calhoun Street.

Direct Examination

Q. (By Mr. Dyer) Mrs. Whitley, did you ever work for the Darlington Manufacturing Company? A. Yes Sir.

Q. What was your job? A. Spooler tender.

Approximately how long did you work for the company? A. From May 10, 1942 until about the 20 of October, I am not [296] positive but it was around about the 20th, 1956.

Q. Were you laid off on the 20th of October, 1956? A. Yes.

* * *

Q. The overseer is Hugh Campbell? A. Yes.

* * *

A. Well, not too much. Mr. Campbell talked to me a little, he never did tell me to vote for the union or not vote for it but he did tell me that he felt like they thought that I was for it because they would not hire my husband back and I don't know why he knowed they would not hire my husband back, he quit one time and they never would hire him back without they had got that from the office.

[297] Q. Just a second. When was it that Campbell first talked to you about the union? A. Well, I don't remember just exactly but it was a good bit before the election.

Q. It was before the election? A. Yes.

Q. About how long before, a couple of days or weeks? A. Well, I would say more than a couple of days, maybe a week or something, I don't know exactly.

Q. Where were you at the time? A. In the mill.

Q. At your job? A. Yes.

Q. What did Mr. Campbell say at that time? A. He just asked me how I felt about it, and I did not say anything at first, that is when he told me about they felt like I was for it and I told him yes, and then another time he come around——

Q. I will get to another time, I want to know everything he said at this first time? A. Well, that is, he just told me that they felt like I was for it because they would not hire my husband.

Q. Was anything said about voting at that time? A. I just don't recall.

Q. Now when was it that Mr. Campbell talked to you after that time? [298] A. It was just before the election and he told me that he hoped that I would, that I had thought about it and he hoped that I would vote right, and I told him, I said, "Well, I feel like I am."

Q. Did Mr. Campbell ever talk to you after that time? A. Well, not concerning the union because that was just before the election but he did tell me at that time that it would even make enemies of your neighbors much less the workers in the mill.

* * *

[300] FORREST A. CAMPBELL a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. Route No. 5, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mr. Campbell, have you ever worked for Darlington Manufacturing Company? A. Yes.

* * *

[301] Q. What was your job there? A. Spare loom fixer and smasher and weaver.

Q. How long did you work for the company? A. About fifteen years, and a half.

* * *

Q. Did you ever hear any supervisor talk about the union? A. Yes, once or twice.

Q. When was the first time you remember any supervisor talking about it? A. Well, about two or three days prior to the election, Mr. Dixon, I was in the office and he asked me how I felt [302] about the union and well, I had not made up my mind and he said "Well I hope when you vote" I would know it was a possibility of shutting the mill down as they had in Maine.

Q. Did Mr. Hutchinson ever talk to you about the union? A. After the election he was in the water house and he said that they had voted the union in and he hoped the people were satisfied, and that is all.

* * *

Q. Do you know Mr. Oeland? A. Yes.

Q. Did you ever have a conversation or occasion to visit his office? A. Once.

Q. When was that? A. On October 5th.

Q. 1956? A. Yes.

Q. What was the purpose of that visit? A. I went to the office to get my Christmas check signed and asked Mr. Oeland how the situation looked and he said it looked very dim, and he said if the union was out the mill would run and definitely in the mill would close. That is all.

* * *

[304] Q. (By Mr. Price) Mr. Campbell, I want to ask you about two questions. The occasion you went to Mr. Oeland's office, you went there strictly on your business about your Christmas check? A. Yes.

Q. He did not send for you or anything of that sort? A. No.

Q. And then the occasion about the election or the union was brought up by you by asking him how it was going? A. Yes.

Q. And everything that was said there in that conversation was brought about by your asking him that question? A. Yes, that is right.

Q. And then what he replied to you was just telling you what he thought about it? A. Yes.

Q. He did not tell you that you should not vote for the union or anything about it, did he? A. No. He did not mention it.

* * *

[305] JOHN BENJAMIN PLUMMER, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner: State your full name?

* * *

Direct Examination

Q. (By Mr. Dyer) Mr. Plummer, did you ever work for the Darlington Manufacturing Company? A. Yes Sir.

Q. What was your job? A. In a Roller shop.

Q. How long did you work for the company? A. 38 years.

* * *

[306] Q. Did any overseer ever talk to you about the union? A. Mr. Baker talked to me a right smart about it.

Q. Do you remember when he talked to you about it? A. Well, he would ask me pretty well every time they would have a meeting about how many was down there and about who all was and such as that.

Q. Now were those the only occasions when he would talk to you? After the meetings? A. Sir?

Q. He talked to you after you attended the union meetings? A. Yes.

Q. How about before the election did he ever talk to you on any particular occasion? A. Well, the day before the election he told me that I better vote like he said, he said it might involve liquidation and you won't have a job, like he said "You won't have any job."

Q. Did he say anything else? A. Well, I believe he said that Thursday was election day, and we would see Monday who had a job and who did not.

[307] Q. Do you recall any other time that Mr. Baker talked to you? A. No Sir, I don't believe so.

Q. Do you know Lonnie Dixon? A. He come in.

Q. Do you know him? A. Yes.

Q. Did he ever talk to you about the union? A. Yes Sir, a right smart.

Q. When was that? A. He come in the boiler house where I was at one day and said, "You see what the union done for you, they shut the mill down, I wonder if they are going to feed us."

Q. Was this after the election? A. Yes.

* * *

Q. Do you remember when was this conversation with Dixon, how long after the election? A. It was something like three or four days. I don't know exactly how long.

Q. You were laid off? A. Yes.

[308] Q. Who laid you off? A. Mr. Williams come and told me my job was eliminated.

* * *

Q. (By Mr. Dyer) Did Mr. Williams say anything about the mill shutting down? [309] A. Yes.

Q. What did he say? A. He said the union was going to shut the mill down. Said they were going to shut down on account of the union.

Q. That is when he laid you off? A. Yes.

* * *

[310] ELI WELCH, [311] a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. 564 Cleveland Street, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mr. Welch, were you ever employed by the Darlington Manufacturing Company? A. Yes.

Q. What was your job there? A. Weave room.

Q. Weaver? A. Yes.

Q. How long did you work there? A. Well, approximately 18 years, I had three years in service.

* * *

[312] Q. Did any of your supervisors ever talk to you about the union? A. Yes.

Q. Who? A. L. E. Dixon and Winston Taylor.

Q. Lets take Winston Taylor, who was your second hand? A. Yes.

Q. Did he talk to you once or more than once? A. Twice.

Q. For how long a period did he talk to you about the union? A. Well, from the time the campaign started until well, he talked to me before the election and after.

Q. Well, how often would that take place, was it once a week or twice a week? A. I would say on the average of twice a week, maybe more.

Q. You said from the time the campaign, I think we have had some testimony that it started in April or May? A. Yes.

Q. What did Mr. Taylor say to you about the union? A. Well, he kept insisting that Roger Milliken would close the mill if the union went in there and said he had closed [313] one in Maine on account of organising and he would close this one. I did not agree with him, he told me that, he said, "Well, I tell you what will happen", he said, "You will get your $300 or whatever Roger Milliken gives us and he will be through with you."

Q. Did he say this same thing to you more than this one occassion? A. He only said that on one occasion.

Q. What about other occasions? A. He kept insisting that they would close the mill down if the union went in.

Q. You mean Taylor kept saying to you that Mr. Milliken would close the mill down on a number of occasions? A. Yes.

Q. This would be prior to the election, is that right? A. Yes, before and after.

Q. What was the nature of the conversation after the election? A. Well, the general thing, he said "I hope you all are satisfied, you got the union here and the mill is closing". He might have thought so because after the election he left.

Q. Now you mentioned Mr. Dixon, when did he talk to you about the union? A. Well, he sent Mr. Taylor down on my job September 14, which was on Friday and Mr. Taylor told me that Mr. Dixon wanted to see me in his office.

[314] Q. Did you go to the office? A. I did.

Q. What was the conversation, who was present? A. Mr. Dixon and Mr. Taylor came on up with me and I believe, I don't, I can't recall, I know the two of them was in there.

Q. And you? A. Yes.

Q. What was the conversation? A. Well, he told me he just wanted to discuss a critical situation and said "I am sure you will understand", he said, "You have been living a better life for the past few years", and he said "The situation was really critical, that the mill was going to close", and said "Inside of two weeks and the people will be suffering, that the older people would not be able to get a job", and he said, "It is going to be an awful sight", and he painted a pretty bad picture there.

And during this time I was wondering why he had me in there, and telling me this because there was not anything I could do about it, and so I was willing to do most anything that I could about it, I told him that I would do anything I could, but I could not see anything that I could do, and I went back to my job.

Q. Before you say that, did Mr. Dixon say anything else to you about the union or the plant? A. He said that the plant was closing down, that he was in a [315] position to know that it would close, and said there was no doubt about it that it would close down, he said if it would help the circumstances any that he would walk right out of there then and never come back. He said that the mill was closing and that was a sure thing.

Q. Did he say anything about mentioning this? A. He said he could have told us this before the election, but it was against the law to do so.

Q. All right, you said you returned to your job? A. Yes, that is right.

Q. What happened then? A. Well, within ten minutes Leroy Jones, a loom fixer in the weaving department came to my job and he had a petition and he told me that Mr. Dixon said for him to come to me first with the petition, I did not know why.

Trial Examiner: How much later was this?

A. About ten or fifteen minutes after I left the office, he said this petition was to keep the mill running and after this petition he had shown to me about the seriousness of everything and the suffering and right away I put my name right on it. And I did not even read it.

* * *

[325] CORBIN ANDREWS, a witness for and in behalf of General Counsel, after being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. 324 Syracuse Street, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Is that here in Darlington? [326] A. Yes.

Q. Were you ever employed by Darlington Manufacturing Company? A. Yes.

Q. What was your job? A. Doffer.

Q. What shift were you on? A. Third.

Q. How long did you work there? A. Approximately nine years altogether. I started the 19th of March 1946.

* * *

[331] MRS. ALLEN GAINEY a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. 209 Lee Street, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mrs. Gainey, did you ever work for the Darlington Manufacturing Company? A. Yes Sir.

Q. What was your job there? A. I was a creelerman.

Q. How long did you work there? A. The last time about a little over three years.

Q. Had you worked prior to that? A. Yes.

Q. About how long all together? A. About I would say ten years altogether.

* * *

Q. Who were your supervisors? [332] A. Mr. Campbell.

* * *

Q. He was the overseer? A. Yes.

Q. Did Mr. Campbell ever talk to you about the union? A. Yes.

Q. When? A. The day after they got the National Labor Relations Board notice to have the election.

Q. Where were you at the time? A. In the mill.

Q. What did Mr. Campbell say? A. He come to us, called three of us together and told us that they had got the notice to have the election and then he told us he hoped that we would vote like we knowed was right instead of like we thought was right. He also told us that Milliken was not going to let nobody come down there and tell him how to run his business, and I said, I did not know that the union done that, and he said "They try".

* * *

[335] MRS. OLEEN GARRISON, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. Route 5, Box 73, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mrs. Garrison, did you ever work for Darlington Manufacturing Company? A. Yes.

Q. What was your job there? A. Spinner.

Q. How long did you work there? A. I think about 23 years altogether off and on.

* * *

[337] Q. Did any of your supervisors ever talk to you about the union? A. Yes.

Q. Who? A. Mr. Kinsey talked to me about the union.

Q. Anybody else? A. Yes, Mr. Shirley mentioned it to me.

Q. Mr. Shirley? A. Mr. Shirley mentioned it.

Q. Mr. Kinsey and Mr. Shirley and did anybody else? A. I believe Mr. Hutchinson.

Q. Let's take Mr. Kinsey first, when was it that Mr. Kinsey [338] first talked to you about the union? A. Well, he talked to me on several occasions before the election about the union.

Q. Do you remember about when the first one was? A. It was about two weeks before we had our first meeting, I don't know the date because he talked to me all along on several occasions, and I did not keep up with the dates. But it was two weeks before we had our first meeting he talked

to me about it. He told me that Mr. Milliken would not have the union in his mill.

Q. Where were you when this conversation took place? A. On my job.

Q. And you said he told you or talked to you on several occasions thereafter? A. Yes.

Q. How often would he talk to you? A. Well, about once every two weeks or every other week.

Q. Did he say the same thing to you or a different thing? A. Well, he usually would bring up the mill that he had already closed because of the union and he told us, told me that they was keeping our names down there in the office, all of us that took part in the union activities and that a lot of us were going to be out of a job after the election, and was over, and that we would have a hard time finding a job anywhere else.

[339] Q. Did Mr. Shirley ever talk to you about the union before the election? A. No Sir.

Q. How about after the election? A. After the election on September 12 I was sitting on the steps eating lunch and he came up the steps and asked me if I had heard the bad news about the mill closing, and I told him that I had but that I wanted, maybe this would change their minds and not close and he said no, it is no change of that, said that Mr. Milliken had planned to spend a lot of money on the mill to make it a modern plant but with the people divided in the union he was not going to spend anything on it, he was just closing down and selling the machinery.

Q. Did Mr. Shirley ever talk to you about the union after that? A. Once again. He came by one day and asked me how the work was going.

Q. When was that? A. That was the following week after that, and he asked me how the work was running and

I told him it was running better than it had been and he said that it was a shame that they had to shut down, said they just now got to where it would run, and I told him maybe somebody would buy it and it would not shut down, and he said no, that nobody did not want a cotton mill with the union in it, that the man could [340] not make no money running a cotton mill with the union. He said that he did not have no orders now to run because the buyers had cancelled their orders since we had voted the union in, they would not even buy the cloth.

* * *

Q. Lets go back to Mr. Kinsey, did he ever talk to you after the election? A. Yes, he talked to me the last day that I worked on his shift, he talked to me about it.

Q. When was that? A. That was on the 20 of October.

Q. What did he say at that time? A. He asked me did it make me feel bad or worried me to know that I was partly to blame for the mill closing, and I told him that I did not feel like I was any more to blame than him or anybody else, that the working conditions were so bad and the jobs so hard that we could not have gone on like we was. I told him that we had a right to vote and I did not see why the government give us the right to vote and then let a man close the plant down and because the voted the union in.

Q. Did he say anything else? A. He said well, Mr. Milliken said he would close down and he did not have no better sense than to belive him.

[341] Q. Now you mentioned Albert Hutchinson, when did he talk to you about the union? A. That was on Friday night before the stockholders meeting on the 17. I don't know the date but I remember I had got out at 6 o'clock because I was sick and I was going home, and I met him in the tower downstairs and he told me that, he was talking

with a man at that time and I had stopped to wait on the lunch wagon, and so he started talking to me then and said the mill was going to close and if we did not get the union out, and I told him that there was not anything I could do about it; and he said I could help, he said I could help and said that if we could get up a petition to get the union out that the mill would run on, and he wanted me to come up here and see Mr. Buchanan, or any of the business men, he said, would help me and get the union people on the committee to sign it and get the union withdrawn so the mill would run. But I did not, I got to thinking about it, and decided that I would not. I did not want the people mad at me.

* * *

Q. Mrs. Garrison, during the past year has there been new equipment put in your department? A. Yes.

Q. What was that? [342] A. They put this pnaumafill down on the filling but they had not done anything on my job, I don't think, but down on the filling they had put pneumafill in.

Q. Did you hear anything about any new weave machines? A. Yes, I seen some new looms in the warehouse, but I don't know how many or when they were put there.

* * *

[387] RAYFORD CARNES, a witness called by and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

Trial Examiner: Your address?

The Witness: 130 Cleveland Street, Darlington, South Carolina.

* * *

Direct Examination

Q. (By Mr. Dyer) Mr. Carnes, were you ever employed by the Darlington Manufacturing Company? A. Yes, sir.

Q. What was your job there? A. Loom fixer.

Q. What shift did you work on? [388] A. First shift.

Q. How long were you employed by the Company? A. About 20 years.

* * *

[393] Q. Any Supervisors ever talk to you about the Union? A. Mr. Taylor.

* * *

Q. How often did Mr. Taylor talk to you about the Union? A. Very often.

Q. When did Mr. Taylor start talking to you about the [394] Union? A. Before the election and after.

Q. He started before the election? How long before the election? A. I'd say two or three weeks.

Q. Two or three weeks? A. That's right.

Q. How often did he talk to you? A. I'd say he talked to me, say, at least twice a week, something like that.

Q. Would his conversation be about the same or different each time? A. Approximately the same conversation.

Q. Where would it be that he would talk to you, at your work? A. Well, it would be at my work bench or in the water house.

Q. All right, what was the—you said the conversation was essentially the same. What was the conversation? A. Well, his conversation time and again was that if we voted the Union in that Roger Milliken would close the plant down, he would not run with the Union in it.

Q. He said this to you before the election? A. That's right.

Q. Did he talk to you about the Union after the election? [395] A. That's right..

Q. How often did he talk to you about the Union after the election? A. Well, I couldn't say just, you know, how often, but he brought it up a good many times.

Q. Pardon me? A. I couldn't say exactly how many times he brought it up but it was very often.

Q. Could you give us an average? Twice a week or once a week? A. Once a week, something like that.

Q. How long did that continue? A. Well, I'd say it continued on up to about a week before he left there.

Q. All right, and approximately when was that? A. When he left there I could not say, I don't remember the date, don't remember the week he left.

Q. How long was it before you left there? A. How long before I left?

Q. That's right. A. I was discharged on the 27th.

Q. 27th of October? A. That's right.

Q. How long before that was it that Taylor was talking to you? [396] A. Before I were laid off?

Q. Yes. A. I'd say a couple of weeks.

Q. Several weeks? All right, and was the conversation of Williams at that time the same or was it different on each occasion? A. No, sir, he told me he wanted to see me and he taken me out——

Trial Examiner: Are you speaking of Williams now?

Mr. Dyer: Taylor, pardon me.

A. Wanted to see me, taken me out through the slasher room, out the back door, going out next to the old cloth room. I got out there and he said, "Rayford—" he said he didn't see how in the hell the peoples' conscience could bother

them when little children would be going around hungry on account of the mill being closed down. He said Roger Milliken would not run with the Union in the mill. He asked me did I know any of the Committeemen. I said yes, I knew some of the Committeemen. He asked me could I get him the names of the Committeemen. I said, "Yes, sir, I can, but I'm not going to." He said that the people was making a great mistake by voting the Union in. He said that the people was going to be in bad shape for Mr. Milliken would not run the mill with the Union in it.

* * *

[397] Q. Well, when was this particular occasion that you remember? A. This was somewhere on—about the 15th of September.

* * *

[398] Q. (By Mr. Zimny) Mr. Carnes, in the conversations that Mr. Taylor had with you did he at any time bring up the name of Lloyd Gossett? The Union representative? A. Yes, sir, I believe he did.

Q. Will you tell us what he said and when it was said? A. As well as I can remember it——

Q. Was this before or after the election? A. This was after the election.

Q. Have you got any idea about how long after the election it was? A. This was prior—approximately, I would say, somewhere around the 15th, somewhere along there.

Q. 15th of September? A. Beg pardon?

Q. 15th of September? [399] A. Yes, sir.

Q. Would you tell us what he said? A. As well as I can remember he asked me would I go to the meeting and tell Mr. Gossett that it would be better or it would be better

if he would leave town because there were people out on the streets looking for him and if they caught him he would never come back to Darlington. As well as I can remember that's what he said.

* * *

[413] MRS. MARION GAINEY, a witness called by and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

[414] Trial Examiner: Your address?
The Witness: 120½ South Main Street.

Direct Examination

Q. (By Mr. Dyer) Now, real loud, Mrs. Gainey, did you ever work for Darlington Manufacturing Company? A. Yes, sir.

Q. What was your job there? A. Spinner.

Q. And what shift did you work on? A. Second.

Q. How long did you work with the Company? A. Eleven year.

* * *

[416] Q. Did any of your Supervisors ever talk to you about Union meetings? A. Yes, sir.

Q. Who? A. Well, Mr. Shirley and Mr. Kinsey.

Q. Let's take Mr. Kinsey. When did Mr. Kinsey talk to you about Union meetings?

* * *

[418] Q. Had you worked for Darlington Manufacturing the whole [419] time you had been employed? A. No sir, I worked in Hartsville.

* * *

Q. All right, what did Mr. Shirley—when did Mr. Shirley talk to you about Union meetings? A. On the 26th of June.

Q. On the 26th of June? A. Yes, sir.

Q. Where was that? A. In his office on the fourth floor.

Q. How did you happen to get to his office? A. Well, I was out that day and I went by his office to pick up my check.

Q. All right, and did you have a conversation with him then? A. Yes, sir.

Q. What was the conversation? A. He asked me what I thought about the Union and I told him I had never worked in a mill that had a union and I asked him what he thought about it and he said he had worked where [420] there was a Union and people had to work harder and he said that Mr. Milliken would not run the plant with a Union in it.

Q. Did he say anything else? A. He said he didn't have to worry because before he took that job they promised him if the mill closed they would place him in another Deering-Milliken plant.

Q. Anything else? A. Well, that was all at that time.

Q. All right, Mr. Shirley ever talk to you about the Union after that? A. Well, yes, sir, after the election.

Q. After the election? When after the election? A. On the 11th of September.

Q. Where were you at the time? A. I was working behind a blow pipe and he passed by where I was working. He said, "You remember me telling you that the mill would close down if the Union went in?". And I said, "Yes." He said, "Well, it's closing down October 17th.

Q. Did he say anything else? A. He said that what made it so bad was putting all the people out of work.

Q. Anything else? A. I don't remember nothing else.

Q. How about Mr. Kinsey, did he ever talk to you about the Union? [421] A. Yes, sir, a lot of times. I don't remember just how many.

Q. Before or after the election? A. Well, both.

Q. I'm talking about conversations other than when he discussed Union meetings with you? A. It was after the election that he had told me if I would get Mrs. Olene Garrison or some of the others that was on the Committee to sign a petition and take it to the office that he believe it would help keep the mill running.

Q. When did he say this to you? How long after the election? A. I'd say about a week.

Q. Did Mr. Kinsey say anything to you about the Union prior to the election? A. Well, yes, sir, I couldn't say how——

Q. Did he talk to you once or more than once? A. Yes, sir, a lot of times. I couldn't say just how many.

Q. Well, over how long a period of time did he talk to you before the election? A. Well, I don't know, it was on several occasions, but I don't know exactly how many.

Q. Was his conversation the same or different on each occasion? [422] A. Well, it would be a little different but he said Mr. Milliken wouldn't run the plant with a Union in it because he wouldn't be told what to do.

Q. Did he say this on one occasion or more than one occasion? A. More than one.

* * *

[431] JOHN B. FLOYD, a witness called by and on behalf of General Counsel, being [432] first duly sworn, was examined and testified as follows:

* * *

Trial Examiner: What is your address?
The Witness: Route 5, Darlington.

Direct Examination

Q. (By Mr. Dyer) Did you ever work for Darlington Manufacturing Company? A. I did.

Q. Mr. Floyd, I will have to ask you to speak louder. What was your job there? A. Well, the last seven years was stripping, stripping cars.

Q. How long did you work for the Company altogether? A. Altogether 27 years.

* * *

Q. Who were your Supervisors? A. Mr. Hammond, Bill Hammond.

[433] Q. Is he an Overseer? A. Yes, sir.

* * *

Q. Mr. Hammond ever say anything to you about the continuation of the plant? A. Well, we never did talk any much till I asked him about did I have to go down and vote.

Q. When was that? A. That was, I believe, on the day before the Union election. He told me that he rather I would go vote because if I didn't vote it would count for the Union, so I up and told him then that I had been to one meeting and had signed a blue card and he said, "Yes, I know that, I have been told that you belong to the Union."

Q. Did you have any other conversations with Mr. Hammond concerning the Union? A. Well, before we got

through with that conversation he pulled a little pamphlet out and showed me on it that it had two blocks, "yes" and "no", showed me how to vote and said if the Union went in Milliken would close the mill down.

* * *

Did you have any other conversations with Mr. Hammond—— A. Well—[434] concerning the Union? A. I believe the day after they had the Board of Directors meeting on the 12th—about the 13th, I think, I walked in the office where Mr. Hammond was at and he was cleaning up his desk and everything, packing up, and he told me that he was getting ready to leave, that Milliken was going to close the mill down so I found out what I had to do and I went on back. That's about all I had to talk about.

Q. Following the election were you ever asked to sign a petition of any type? A. Yes, sir.

Q. When was this? A. I believe this was after they had the Board of Directors meeting. I don't recollect what date it was.

Q. All right, did you read a petition? Did you read what the petition was? A. No, right at the time I didn't have time to read it.

* * *

Mr. Dyer: I will stop at that point and merely ask you, [435] was this lady who asked you to sign the petition one of your fellow workers? A. Yes, a drawing hand.

* * *

Q. (By Mr. Dyer) Did you have any conversation regarding this petition with any of your supervisors? A. Well, a day or two later I asked Mr. Hammond how many

did they get to sign the petition. He said he didn't know but the only way that they could get the mill to run would be for the Union men to go to Milliken and withdraw.

* * *

[437] MAUDE T. GRANT, a witness for and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

Trial Examiner: Your address?

The Witness: 110 Washington Street, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mrs. Grant, did you ever work at the Darlington Manufacturing Company? A. Yes, sir.

Q. What was your job there? A. What was my job?

[438] Q. Yes. A. As spooler.

Q. How long did you work for the Company? A. Almost 23 years.

* * *

Q. Who were your supervisors? A. Mr. Campbell.

* * *

Q. (By Mr. Dyer) Mrs. Grant, did you ever attend any of the Union meetings? A. I did.

Q. Did Mr. Campbell ever talk to you about Union meetings? A. He did.

Q. Once or more than once? A. On several occasions.

[439] Q. Do you know about when that started? A. Just before the Union started because it was just circulating and he came to me and told me that if he was me he would

not join the Union because it was no good and "Mr. Milliken would close the plant down and we would all be out of work and he said he didn't see how some of the people around here can afford to be out of work, and I said, "I don't know anything about a Union, but I'm for it, this work is killing us."

Q. This conversation took place when the Union was first getting started? A. Yes, when the hearing of it was just circulated.

Q. Do you know when that was? A. I think it was in May, I'm not sure.

Q. You also said Mr. Campbell talked to you about Union meetings? A. Yes.

Q. On several occasions? A. On several occasions.

Q. Was that after this particular one? A. Yes, after that.

Q. When would he talk to you about the Union meetings? A. During my working—at my work.

Q. On any particular day of the week? A. No.

[440] Q. And how many different occasions do you remember he talked to you about the Union meetings? A. I distinctly remember three.

Q. Do you remember when those were? A. Yes, sir, one—I don't know the day of the month, or the—I think it was in May, he came to my work, he said, "Did you attend that meeting yesterday?" And I said I did, and he said, "Did you sign a card?" And I said, "Yes." He says, "Well, if you signed a blue card don't vote 'yes' because Mr. Milliken will certainly close down the plant and we will all be out of work," and he said, "I don't see how some of them will get along."

Q. Do you remember any other occasion that he spoke to you? A. Yes, September 5th, which was the day before

the election, he came to my work and says, "I have decided when I will let you all go vote. I will let you go shortly after 8:00 in the morning."

Q. All right, go ahead. A. And I said, "Mr. Campbell, I won't be in for work because I have promised Mr. Gossett that I would be an observer at the polls for the Union." Go on?

Q. Yes, ma'am, go ahead. A. And Mr. Campbell said, "Don't you know we are not going to allow you to go out and vote for the Union while [441] for us?" He said, "I'll expect you to be on your job in the morning, and I will allow you the privilege I allow the others to go out and vote and come back."

Q. All right, now, do you remember any other occasion when he talked to you about Union meetings? A. Yes, afterwards, after the election.

Trial Examiner: You say he told you he wouldn't let you vote for the Union while you were working?

The Witness: Yes, "Don't you know we won't allow you to go out and work for the Union while working for us, the Union is not in yet." And I said, "I promised Mr. Gossett I would be there," and he said I was working for the Company, not Mr. Gossett.

Q. (By Mr. Dyer) You said there was another occasion when he talked to you about Union meetings after the election? A. Shortly after the election.

Q. Where were you at the time? A. At my work.

Q. Do you remember how long after the election it was? A. A few days.

Q. What was the conversation? A. He came around there and said, "Well, you got the Union in now, why don't you go ask them to buy the mill?"

* * *

[443] *Cross Examination by Mr. Poag.*

* * * *

[445] Q. The Union promised you if they came in that the employees would have complete control over the workloads, didn't they? A. Nobody didn't tell me that.

Q. They didn't? A. But I heard what other mills were doing that had unions.

* * *

[447] Q. (By Mr. Poag) And in this letter, doesn't the Union tell you that the only possible way that you will ever be able to have a voice on workloads, piece rates, seniority, grievances, wages, and so forth, and so forth, is through the Union?

* * *

The Witness: If it's in the letter, that's what it said.

Q. (By Mr. Poag) And that's what you expect the Union to do for you? A. Sure, if it went in, but it didn't get a chance.

* * *

[453] MARGARET TRUETT a witness for and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

Trial Examiner: Your address?
The Witness: Route 5, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mrs. Truett, did you ever work for
[454] Darlington Manufacturing Company? A. Yes, sir.

Q. What was your job there? A. Running the warpers.

Q. Ran warpers? How long did you work for the company? A. About 14 years.

* * *

Q. Any of the supervisors talk to you about the Union? A. Mr. Campbell.

Q. When? A. About a week after the election.

* * *

Q. All right, where were you at the time he talked to you? [455] A. On the job.

Q. What did he have to say to you? A. Asked me did the people believe the mill would close. He asked me did the people believe that the mill would close and I told him no. He said, well, it had happened before and it would happen again; that Mr. Milliken would close the mill as sure as God made little apples.

* * *

[461] CHARLIE L. FRAZIER a witness for and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

[462] Trial Examiner: Your address?

The Witness: 112 Cotton Street, Darlington.

DIRECT EXAMINATION

Q. (By Mr. Dyer) Mr. Frazier, did you ever work for Darlington Manufacturing Company? A. That's right.

Q. What was your job there? A. Elevator man.

Q. How long did you work for the company? A. I went to work with them the last of June, 1910.

Q. And you worked continuously with them all that time? A. No, sir, not continuous.

Q. Pardon me? A. No, not continuously.

Q. Approximately how long altogether did you work for the company? A. Well, I don't rightly know. During

the depression I was off three years there and I farmed four years during that time.

Q. Anywhere upwards to 30 years or so? A. That's right.

* * *

[463] Q. All right, did any of the supervisors ever talk to you about the Union? A. Mr. Campbell.

Q. Did he talk to you once or more than once? A. Once, that was all he talked to me.

Q. When was that? A. Well, that was on Tuesday, as well as I remember, before the election Thursday.

Q. That would have been about the 4th of Septmber? A. That's right.

Q. Where were you at the time? A. Standing in the slasher room door.

Q. What was the conversation? A. I was standing there in the door and Mr. Campbell walked up and said, "Well, looks like we going to run into a mess." I said, "Yes." He said, "Well, if the Union is voted in Milliken will shut the mill down, he won't run it under a union."

* * *

Q. Did you have any conversations with any of the other supervisors about the Union? A. The Cloth Room man.

Q. Who is that? A. Willie Anderson.

[464] Q. He's an overseer? A. That's right.

Q. When did you have a conversation with him? A. Once before and once afterwards.

Q. You mean before and after the election? A. That's right.

* * *

Q. (By Mr. Dyer) When was the time before the election? How long before the election was it? A. It was during the same week of the election.

Q. But it was prior to the election? A. I don't remember just the day.

Q. Where were you at the time? A. Well, standing on the second floor in the tower, in the second floor at the door.

Q. What was the conversation? A. Well, the conversation, I don't remember just how it come up now, whether I brought it up or he did, but the conversation was that the mill would shut down if the Union come in.

* * *

[465] Q. You say you had a conversation after the election? How long after the election was it? A. That was some—I imagine two weeks after.

Q. And where were you at that time? A. Same place, in the tower, in the door of the cloth room.

Q. What was the conversation then? A. About the same thing, that the Union had come and the mill would shut down; it wouldn't run under a Union.

Q. Is that what Mr. Anderson said? A. That's right.

* * *

[470] MARY ELIZABETH BAKER a witness called by and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

Trial Examiner: What is your address?
The Witness: 108 Cotton Street.

Direct Examination

Q. (By Mr. Dyer) Mrs. Baker, have you ever been employed by Darlington Manufacturing Company? A. Yes, sir.

Q. What was your job there? A. Spinner.

Q. And how long did you work for the company? A. Well, the last time about 4 years, a little over 4 years.

Q. How long have you worked for the company altogether? A. I don't know, I went to work when I was 16 and worked until I was 21, off and on. I got married and quit and came back after that.

* * *

[471] Q. Who was your supervisor? A. D. K. Shirley, Overseer, and Shirley Passmore, Second Hand.

Q. Did either Mr. Shirley or Mr. Passmore ever say anything to you about the Union? A. Yes.

Q. Who? A. Both of them.

Q. Let's take Mr. Shirley first. When did he first mention the Union to you? A. He came by one morning to talk to me about a shortage in my payroll.

Q. When was that. A. A week or approximately a week before the election.

Q. Now, where were you at the time? A. Working on my job.

Q. What was the conversation? A. Well, after we finished talking about my payroll shortage, he started to walk off and came back and said, "While I'm here I would like to ask you something, how do you feel about this Union?" I said, "Well, I haven't given it too much thought, I don't think anything we could do could make it worse, I want to do what's right." He said, "I'm [472] sure you do. It's—the Union is not the right thing if it's voted in there because a lot of people will be out of work and the mill will be closed down," and so he said, "If you want the lowdown on this Union you should ask somebody that works at Goldsboro," said, "they can tell you." That's all he said to me about it.

Q. Was anything mentioned in the conversation about the mill running? A. What mill?

Q. Was anything mentioned in that conversation about the mill running? A. About it running?

Q. Yes. A. He just said it would be closed down if the Union came in, that's all.

Q. Now, who is the next man to talk to you about the Union? A. Mr. Passmore and that was about—after the second or third Union meeting. I hadn't attended any of them.

Q. When was that?

Trial Examiner: You say you had not attended?

A. I had not attended a meeting up until then. He came by where I was working and asked me if I had been to any of the meetings and I said no, I hadn't, but I intended going to some, and he said I better leave the Union alone, said there wouldn't be anything but trouble if they ever get a [473] Union in here, Mr. Milliken would close down, he won't run the mill under a Union.

Q. (By Mr. Dyer) When was that? A. I don't know when, it was after the second or third meeting that the Union had out at the Springs.

Q. Mr. Passmore ever talk to you about the Union after that time? A. Yes, the morning of the election, it was somewhere between 5:00 and 7:00, I don't know, after the dope wagon had come through, and after we had started to go down to vote. He came by with a sample ballot to show which block to check and he said the "yes", you know—the "no" for the company, you know, and I said, "What about that one?" And it looked like it made him mad and he said, "I can't tell you crazy people nothing," said, "I tried to tell you if you vote that Union in it would close the mill down."

* * *

[475] ABBIE BAXTON JACOBS a witness for and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

Trial Examiner: What is your address?
The Witness: Route 5, Box 64, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mr. Jacobs, did you ever work for Darlington Manufacturing Company? A. Yes, sir.

Q. How long did you work for them? A. About 13 years.

Q. What was your job? A. Doffer at first and last was spare hand, day jobs.

Q. And where did you work, spinning room? A. Yes, sir.

Q. Who were your supervisors? A. Mr. D. K. Shirley, overseer; Frank Kinsey, Second Hand.

Q. Did either of the supervisors ever talk to you about the Union? [476] A. Yes, sir, they have mentioned it.

Q. Who? A. Well, Mr. Kinsey asked me one day, one Monday, if I attended the Union meeting on the Sunday before that. I told him yes, sir, and——

Q. When was this? A. That was sometime during the time they was having the meetings over there but I don't know just what time.

Q. During the first part of the Union campaign or latter part? A. About the middle of it. I told him I had attended and he said, "You better let that thing alone," said, "Milliken will shut the mill down if it goes in."

Q. How about Mr. Shirley, did he ever talk to you about the Union? A. Yes, sir, Mr. Shirley talked to me once or twice.

Q. When do you remember he talked to you about the Union? A. I don't remember the date, I didn't pay attention to the date but I—he got me up in his office one day.

Q. When was that, do you have any idea? A. That was sometime during the time they were meeting over at the Spring but it was before the election.

Q. Before the election? How long before the election was it? A. I couldn't say exactly, it was 3 or 4 weeks, I imagine. [477] He asked me if I knew anything about the Union. I said no, I didn't, and he told me to think it over. He asked me if I thought I would vote for it. I said yes, I thought so. He told me to think it over and let him know what I decided but he never said any more about it and I didn't.

* * *

[478] JESSIE P. HARRELSON, a witness for and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

Trial Examiner: What is your address?

A. 125 Calhoun Street.

Direct Examination

Q. (By Mr. Dyer) Mrs. Harrelson, did you ever work for Darlington Manufacturing Company? A. Yes, I did.

Q. What was your job there? A. Spinner.

Q. How long did you work for the company? A. Off and on for 18 years. Mostly off.

Q. What shift were you on when you last worked there? A. Third.

Q. Now, you said your employment was off and on? A. Yes.

Q. When was the last time you went back to work there? A. It was the last of April or the first of May of 1956.

* * *

[479] Q. Did you continue to work on from that time until the time you were finally laid off? A. Did I continue to work on?

Q. Yes. A. Uh huh.

Q. Did you have any time you were off from April? A. I was—I had two weeks off in June.

Q. You had two weeks off in June? A. Yes.

Q. Did you request that time off? A. No, I didn't, I was laid off.

Q. You were laid off? A. Yes.

Q. By whom? A. By Mr. D. K. Shirley.

Q. Were you rehired again after that time? [480] A. Yes, I was.

Q. By whom? A. Mr. D. K. Shirley.

Q. Did you have any conversation with Mr. Shirley when he rehired you? A. Yes, he sent after me one morning about 10:30, I guess, or maybe 11:00, I don't know the exact time, sent word for me to come down to the office, he wanted to talk to me, so I went down and he hired me back, said that he had 14 spinners that he could take a choice and that he—they had discussed it at the personnel office and they decided that they would hire me back and he talked with me about the situation. I understood to come back to work meant they would like for me to be to work regular and do my best ability and talked the situation over about that.

Q. Was the Union mentioned at all in this conversation? A. Well, yes, after he hired me I stood up to leave the office

and he said to me that, "You understand, of course, that you've got your job?" And I said, "Yes," and he said, "This has no bearing on whether you are hired or not, but—" said, "what do you think about the Union situation?" And I told him that due to the fact I had been laid off I didn't think it concerned me whatsoever and I had not given it much thought and he told me then that the Union was not good for anybody, that he had worked at a plant where there [481] was a Union and it would cause bloodshed and hardship and heartache and bitterness between friends and brothers and sisters and everything else that if I was approached by a Union worker, which evidently I would be, to think it over before I took sides with the Union.

Q. Now, did any of the other supervisors ever mention Union to you? A. Well, before I was laid off Mr. Kinsaul came to me one night.

Q. When you speak of before you were laid off—— A. Before I was laid off before those two weeks in June, Mr. Kinsaul came to my job one night and asked me what I thought of the Union and as far as I can remember I told him I thought the Union would be a good thing and he said that the Union wasn't good for anybody, and I said, "If it will help us workers I think it would be good," and he said well, it would not help us workers, that Roger Milliken —that we couldn't afford to have happen here what happened in Maine. Roger Milliken closed the plant in Maine because of the Union and he would do the same thing here. He said he didn't feel like me or any of the rest of the workers could afford to have the plant closed.

Q. Did he say anything else? A. And that if we ever got an election to think it over before I voted "yes."

* * *

[483] Q. Did you have any conversation with any of the supervisors after that time? A. Well, the night of the Board of Directors meeting in Spartanburg I stopped in to the office to pick up my mother's pay check which was on a Wednesday night, it was about 20 minutes until 12:00.

Q. Who was in the office? A. Mr. Frank Kinsey.

Q. Second Hand? Did you have a conversation? A. And Mr. Shirley Passmore, both Second Hands for second and third shift.

Q. Did you have a conversation? A. Yes.

Q. What was the conversation? A. A little—Mr. Passmore said to me, "wonder how the Union people feel now?" I sort of shrugged my shoulders and said, "All right, I guess, why?" He said, "They shut the mill down." I said, "Have they?" I said, "How do you know?" I read Mr. Oeland had gone to Spartanburg for a [484] Board of Directors meeting but they had not had the stockholders meeting to decide what to do. He said, "I don't care what you read," said, "Mr. Oeland called Mr. Shirley this afternoon from Spartanburg and said they were going to close the plant down because of the Union," and I walked out of his office.

Q. Did you have any other conversation with either of these supervisors? A. Well, soon after 12:00 the same night Mr. Passmore came to my sides. I was on Eva Blackmon's job, still spare hand, and I was in the big alley. He walked up and said, "Well, I hope you all are satisfied," said, "I told you damn Union people if you all voted the Union in he would close the plant down." He said, "Roger Milliken is not going to run a plant with the Union." He said, "In spite of what you or the Union think about it, Roger Milliken will close the plant down." I said, "Roger Milliken is no god, he has no right to tell us if we can have a

Union or not," and he said that—still, he said, that Roger Milliken would close the plant down, we would be sorry of it when people were hungry and we talked a few minutes and finally I said, "Passmore, please go away because I don't want to have an argument." And he said, "I cannot argue with you and the Union people," and walked away.

Q. Let me ask you, was anything said in the conversation [485] about other jobs? A. He told me, he said, "Do you realize that none of you people will ever get another job in another cotton mill? You will have to have a personal recommendation from Darlington Manufacturing Company and you will not be able to get that," and I told him that in all probability we didn't want another job in another cotton mill."

Q. Were you laid off? A. Yes, I was.

Q. When were you laid off? A. October 19th.

Q. Who laid you off? A. Shirley Passmore.

Q. And did you have a conversation with Mr. Passmore at the time you were laid off? A. Well, it wasn't at the time I was laid off, it was during—maybe the week before I was laid off.

Q. During the week before you were laid off? A. Before, or the week before that, it was just before, prior to the week I was laid off.

Q. All right. A. I didn't get very much work and that particular night I was put to help straighten out the jobs which was left behind for the second shift and I worked for about an hour and a half or maybe two and Mr. Blayton, who was a [486] section man, told me to be down to the spare floor or office and tell Mr. Passmore I had done all the work he had for me that night, so I went down there and Passmore was on the spare floor and evidently, being a night

we picked up check; we went into the office and the conversation was resumed, or picked up, about the Union and the situation and he told me that Roger Milliken was going to close the plant because of the Union. He said that when these people in Darlington had lost their homes and their car and was going hungry they would point their finger in my face and say I was the cause of it all and I asked him, "Out of 256 people how could they blame me alone for it," and he said that Roger Milliken would definitely close the plant and that Roger Milliken was a millionaire and he could do as he pleased in spite of what me or the Union thought about the situation.

Q. Was there anymore of the conversation? A. I don't know, I can't remember all of it.

Q. See if you can remember anything more about it? A. Not now, no, I can't.

Q. Was anything said in the conversation about bluffing? A. What? About bluffing? Different times he told me we thought Roger Milliken was bluffing but he wasn't.

Q. Now, did any of the other supervisors ever say anything to you about the Union or the plant? [487] A. No, not that I remember.

Q. Any supervisors ever say anything to you about Mr. Milliken was laying a trap? A. That was in the conversation. I remember it so well, now, that Mr. Passmore and I had the last night that I had only worked an hour and a half or two hours. He said Roger Milliken knew that the Union had planned to organize the south and that he also knew that they were going to pick one of his mills and he has set a trap for them and they had walked in and took the very mill that Roger Milliken wanted them to take.

* * *

[512] HARRY O'NEAL, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

[513] Trial Examiner: State your name?

A. Harry S. O'Neal.

Q. Your address? A. Route 5, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mr. O'Neal, did you ever work for Darlington Manufacturing Company? A. Yes, sir.

Q. What was your job there? A. Oiler.

Q. You were an oiler? A. Yes.

Q. What room did you work in? A. Weave room.

Q. How long did you work for the company? A. Approximately 8 years.

* * *

[515] Q. All right, did any supervisor ever talk to you about the union? A. Yes.

Q. Who? A. Mr. Cox.

[516] Q. Dewey Cox? A. Yes.

Q. How many times did he talk to you about the union, once or more than once? A. He talked to me a couple of times about it.

Q. Do you remember when the first time was? A. Well, it was just before the first meeting at the spring. Just a few days before the first meeting.

Q. Where were you at the time? A. In his office.

Q. How did you happen to be in his office? A. He called me in there.

Q. What was the conversation? A. He asked me what I thought about the union, and I told him I thought it was a pretty good thing if the people knew how to handle it, and he said he knew Mr. Milliken enough that if a union come in there he would shut the mill down, and that is all he said at that time.

Q. All right, how about after that time, when was the next time Mr. Cox spoke to you? A. I imagine it was in June.

Q. In June? A. Yes.

Q. The first part of June or last part? A. Well, I will say it was the first or second week in June, something like that.

[517] Q. Where were you? A. We were on the job.

Q. What was the conversation at that time? Do you remember what the conversation was? A. Not right at present I don't recall.

Q. Was anything said about a union meeting in the conversation? A. Yes.

Mr. Price: We object, he is leading the witness.

A. He asked me about it.

Mr. Price: We object, the witness said he could not remember and he went back and asked him what, prompted him.

Trial Examiner: The record will show that the witness was, or the record will indicate that counsel submitted the subsequent question. Have you answered the question?

A. He asked me would I go down to that meeting on Sunday and let him know how many of his fellows was down there.

* * *

[520] CHESLEY H. LLOYD, a witness for and in behalf of General Counsel, upon being first duly sworn was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. Route 4, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mr. Lloyd, did you ever work for Darlington Manufacturing Company? A. Yes.

Q. What was your job there? A. Card hand.

* * *

Q. How long did you work for Darlington Manufacturing Co.? A. Three and a half years.

Q. Was that continuous employment? A. Yes.

* * *

[522] Q. Did any of the supervisors ever talk to you about the union? A. Yes.

Q. Who? [523] A. Charlie Williams.

Q. Was he the only one? A. Well, on the day of the election?

Q. Just a second, is Charlie Williams the only supervisor that ever talked to you about the union? A. Well, Mr. Hammonds on the day of the election was in the water house and I said, "Well, maybe by night we will know

how it goes", and he said "Yes, the ones that vote for the union is voting to lose their jobs."

Q. Was that the morning of the election? A. Yes, the morning of the election.

Q. What about Charlie Williams, when was it he talked to you about the union? A. Nearly every night.

Q. For how long a period? A. Well, right after they started to have the union meetings right until the mill closed.

Q. Right on until the mill closed? A. Yes.

Q. He talked about the same thing or different things? A. Well, mostly it would be the same thing that it would close if the union went in and Roger Milliken was a big man, he did not have to run under the union.

Q. Was that the main thing that Williams talked to you about? A. Yes, most of it.

[524] Trial Examiner: Did the witness say that it was?

Mr. Dyer: He said that was practically every night from the time the union started up until the mill closed down. How about after the election, did Williams act differently after the election?

A. I remember one night he talked to me after the election, he said "Go shake hands with William Johnson", and I asked him why, and he said, "Well, he got you out of a job, did he, he was the cause of the union man coming here."

* * *

[525] GENEVA ELMORE, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. 118 Calhoun Street, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mrs. Elmore, did you ever work for the Darlington Manufacturing Company? A. Yes.

Q. What was your job there? A. Spinner.

Q. How long did you work for the company? A. I came there the last time in 1952.

Q. Had you worked there prior to that? A. Yes, I come there the first time in 1939.

Q. Altogether approximately how long did you work for the company? A. I don't know, I would say about 18 years.

* * *

[526] Q. Did any supervisor ever talk to you about the plant shutting down? A. Yes Sir.

Q. Who did? A. Mr. Kinsey.

Q. When was that? A. That was, I was laid off on the 17 of November, and that was the next Wednesday.

[527] Q. The 17 of November? A. Yes, No, October.

Q. The 17 of October? A. Yes.

Q. When did you have your conversation with Mr. Kinsey? A. The next Wednesday.

Q. The following Wednesday? A. Yes.

Q. That would have been the 24, is that right? A. Yes, I guess so.

Q. Where did you have this conversation with him? A. In the office.

* * *

Mr. Dyer: I will ask the witness. What was the occasion for you talking to Mr. Kinsey?

A. Well, I had worked one day Monday and Tuesday and was laid off on Wednesday and went the next Wednesday to draw my check for those two days.

[528] Q. Went to the office to get your pay? A. Yes.

Q. Where were you talking to Mr. Kinsey? A. In his office.

* * *

Q. (By Mr. Dyer) What was the conversation? A. When he give me the check he said, "I told you folks if you voted the union in that Milliken would close the mill down, and see what you got yourself into."

Q. Is that all he said? A. He said he went around and around and talked to the people and asked the people not to vote that union in because the—Milliken would close the plant.

* * *

Q. After the election was a petition circulated in your department? A. Yes, there was.

Q. And you worked on the second shift? A. Yes.

Q. Who circulated the petition? [529] A. Mrs. Thames and Mrs. Katherine Meadors.

Q. Are they from your shift? A. No.

Q. What shift were they from? A. They were from the morning shift.

Q. Was Mr. Kinsey in the department at the time they were walking through the plant? A. Yes, he was.

Q. Did you see him anywhere close to him? A. Yes, I did, I saw them about ten foot apart.

* * *

MRS. DOROTHY WELCH, a witness for and in behalf of General Counsel upon being first duly sworn was examined and testified as follows:

Trial Examiner:

* * *

And your address? [530] A. 564 Cleveland Street, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mrs. Welch, did you ever work for Darlington Manufacturing Company? A. I did.

Q. How long did you work for them? A. Approximately 20 years.

Q. What was your job? A. Weaver.

* * *

Q. Was a petition ever brought to you in the plant following the election? A. Yes, there was.

Q. Did you ever talk to any supervisors concerning this petition? A. I went to Mr. Dixon after the petition was passed.

Q. And did you have a conversation with Mr. Dixon concerning the petition? [531] A. Yes.

Q. What was the conversation? A. I told him that I wanted my name off of the petition, that I had made a mistake when I signed the petition and that I had been misled and misinformed about it and I wanted my name off the petition.

Q. Go on? A. He said that he would try to find the boy and send him to me and I could take my name off the

petition but that Mr. Milliken would not run the mill with the union.

Q. Was there anything else? A. I said, "Well, if they want to get the union out," I said, "You don't know who voted for the union and who voted against it but what about the people that you think voted for the union", he said "I can't promise anybody anything".

* * *

[535] NEWEY LEE, a witness for and in behalf of General Counsel, upon being [536] first duly sworn was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. 103 Cotton Street, Darlington, S. C.

* * *

Direct Examination

Q. (By Mr. Dyer) Mr. Lee, did you ever work for Darlington Manufacturing Company? A. I have.

Q. What was your job? A. Slubber hand.

Q. How long did you work for the company? A. 18 years all but the time I was in the army about three years.

* * *

[537] Q. Did any supervisor ever talk to you about the union? A. They did.

Q. Who? A. Bill Hammonds or William Hammons and Weldon Truett.

Q. Lets take William Hammonds first, when was it Hammonds talked you? A. On the morning just before the election.

Q. You mean on the morning of——? [538] A. Yes the morning of the election just before we went out to vote.

Q. Where were you at the time? A. In the water house.

Q. What was the conversation? A. Well, I went in there to smoke and time I got in there he told me that he knew there was no need to talk to me because my mind was made up but he wanted me to know that the union could not help none of us, and if we voted it in Roger Milliken would shut the mill down.

Q. Did he say anything else? A. Not right then. I walked out and then he came out and told me it was time to vote.

Q. That was all the conversation you had with him? A. Yes.

Q. Now you say Buck Truett talked to you? A. Yes.

Q. When was that? A. That was after the election.

Q. How long after the election? A. Maybe a week or around a week.

Q. Where were you at the time? A. In the water house.

Q. What was it Truett said to you? A. He told me all of us was warned if we voted it in, Roger Milliken would close the mill down and that is what he intended to do.

[539] Q. Did he say anything else? A. Well, not right then. I went on back to my job and he followed me out to the job.

Q. Did he continue the conversation out there? A. Yes.

Q. What was the conversation out there? A. Well, he told me that, we got to talking about it, and I told him that I was told that if we voted, that we had a right to vote like we wanted to and the government give us an election and the company would not give us one, and I did not believe the government would let him close that mill down, and he told

me that Roger Milliken owned the mill and he had plenty of money and did not have nothing to worry about, and the government and nobody else could tell him what to do.

* * *

[540] *Cross Examination*

* * *

[544] Q. (By Mr. Poag) When did you first start discussing Mr. Oeland with other people? A. Right after he changed the hours down there.

Q. And that was when? A. I don't remember, but not too long after he came to Darlington.

[545] Q. It was when? A. It was not too long after he got here.

Q. Not too long after he got there, what do you mean by changing hours? A. What did he mean by it?

Q. Yes? A. I don't know, I did not ask him.

Q. What do you mean by changing hours? A. Well, I mean changing the shifts when we were supposed to go to work.

Q. Up until that time you had gone to work at what time? A. I went to work, let me see what shift I was on. I went to work at 10 o'clock at night and got off at 6 in the morning.

Q. And he changed the hours to what? A. From 12 midnight until 8 in the morning.

Q. And you did not like that? A. No, and a lot of other people did not like it and we got up a petition.

Q. Got up a petition? A. Yes.

Q. Asking him to do what? A. To please change the hours.

Q. Change them back to what they had been? A. Yes.

Q. And do you know how many people signed that petition? [546] A. Ninety-five percent if I am not mistaken.

* * *

[548] Mr. Poag: So that when the union promised the employees down there that the employees would control the work load that certainly appealed to you, did it?

Mr. Dyer: Object again, there has not been anything stated that the union promised anybody anything in the whole proceeding.

Mr. Poag: Well, you had confidence in what the union said in its letter, did you? Did you Mr. Lee?

A. Well, I believed them.

Q. You thought that they were telling you the truth? A. Yes.

* * *

[552] MIRIAM W. JOHNSON, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner: Give your full name?

* * *

Direct Examination

Q. (By Mr. Dyer) Mrs. Johnson, did you ever work for Darlington Manufacturing Company? A. Yes, I did.

Q. What was your job there? A. I was spare battery filler and also smash hand.

Q. What room did you work in? A. In the weaving department.

Q. How long did you work there? A. I would say around ten years.

* * *

[553] Q. Now did any supervisor ever talk to you about the union? A. Yes Sir.

Q. Who? A. Mr. Nesbitt.

Q. And when was that? A. I would say around the middle of May, 1956.

* * *

Q. (By Mr. Dyer) What was the conversation? A. Well, he approached me on my job and he said, "Miriam, why are you for the union", and I said, "Well, how do you know [554] I am for the union", and he said, "Well, by your expression. The way you act", and I said, "Well, no one will ever know how I vote on the day of the election because it will be by secret ballot", and he said, "I know that but I hate to see you people make a mistake", and I said "Well, I don't want to make a mistake, I want to do the right thing", and I also told him that I was praying and asking the Lord to direct me in making the right decision, and he also asked me if I would go around and help talk to the other people against it and I did not respond, I did not tell whether I would or would not, and He said that he had seen too much of unions coming in and the plant closing down and little children having to suffer as a result.

* * *

[556] F. L. HUTSON, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

[557] Q. Your address? A. Route 4, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mr. Hutson, did you ever work for Darlington Manufacturing Company? A. Yes.

Q. What was your job? A. Card hand.

Q. How many years did you work for the company? A. About six and a half I think.

* * *

[558] Q. Did any supervisor ever talk to you about the union? A. Yes.

Q. Who? A. Charlie Williams and Buck Truett.

Q. Did they talk to you together or one at a time? A. Well, they both talked to me together one time and Mr. Charlie Williams talked to me about it practically every night.

Q. Let's take Mr. Williams, when did Mr. Williams start talking to you about the union? A. Time they started having the union meetings.

Q. For how long did he keep talking to you about the union? A. Right on until as long as the mill run until I was laid off practically every night.

Q. Practically every night? A. Yes.

Q. Was the conversation the same or different? A. It was practically the same thing.

Q. What was it? A. That the mill was going to shut down on account of us voting the union in was what he talked about after the election, before the election it was always if you vote the union in the mill is going to shut down and won't run under a union.

Q. And you said Mr. Williams and Mr. Truett talked to you together? [559] A. Yes.

Q. When was that? A. That was after the election, I don't know exactly how long afterward.

Q. Would you say a week or two weeks or three weeks? A. Probably two or three weeks.

Q. Where was that conversation? A. That was in the water house. The night I came in early about 11 o'clock and they were both in the water house when I went in there and we just started talking about the union and the mill closing down and all, and they told me that the mill was positively going to shut down and would not run with the union in there, just practically the same thing they had told all the time.

Q. Did Mr. Truett ever say anything to you about the plant? A. Well, nothing much only that it would shut down. He told me I had just as well hunt another job, that that mill was going to shut down after the election.

Q. How long after the election was that? A. I don't remember.

Q. He told you to start hunting another job? A. Yes.

* * *

[560] MRS. MAGGIE REED, a witness for and in behalf of General Counsel, upon being first duly sworn was examined and testified as follows:

Trial Examiner:

* * *

Q. And your address? A. Route 5, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mrs. Reed, did you ever work for Darlington Manufacturing Company? [561] A. Yes.

Q. What was your job? A. Spinning.

Q. And how long did you work for the company? A. About 25 years.

* * *

Q. Did any of the supervisors ever talk to you about the union? A. Mr. Kinsey did.

Q. When was that? A. It was the day before the directors meeting.

Q. Pardon? A. The day after the board of directors meeting.

Q. Where were you at the time? A. Trial Examiner: What meeting was that?

Mr. Dyer: Was that the board of directors meeting after the union election?

A. Yes.

Q. Do you remember how long after the union election that was? [562] A. No, I don't.

Q. Was it the one on September 12? A. Yes, I believe so.

Q. Were you at your work? A. Yes.

Q. What did Mr. Kinsey say? A. He told me he had not talked to me but he reckon I was in with Cook and all the rest of them and he had told them that if we voted the union in——

Q. Speak louder? A. He told me if we voted the union in, they would close it down and said he told us that and said he hoped we would all be satisfied.

Q. Did he say anything else? A. No, sir, that is all.

Q. Did he say what would happen to the building? A. He told me they were going to close it down and sell the machinery and make a warehouse out of the building.

* * *

[563] Q. Did any of your supervisors ever talk to you about a petition? A. Mr. Kinsey.

Q. Mr. Kinsey did? A. Yes.

Q. When was that? A. I don't remember the date but——

Q. Do you remember about when it was? Was it after or before the election? A. It was after the election, the petition they were taking around and said they would keep the mill running and he told me he was glad I signed it, that it did not have anything to do with the union but I don't remember the date that it was.

* * *

MELVIN BENENHALEY, a witness for and in behalf of General Counsel, upon being first duly sworn was examined and testified as follows:

[564] Trial Examiner:

* * *

Q. Your address? A. Route 1, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mr. Benenhaley, would you speak up nice and loud so we can all hear you. Did you ever work for the Darlington Manufacturing Company? A. Yes, I did.

Q. What was your job there? A. Sweeper.

Q. How long did you work for the company? A. About two years.

* * *

Q. Now did any of the supervisors ever talk to you about the union? A. Yes Sir.

Q. Who? A. Mr. Williams.

Q. When was the first time you remember that he talked to you about it? A. When the union first started organizing.

[565] Q. That would be back in April or May? A. Yes, March or April I think.

Q. Where were you at the time? A. I was in the mill.

Q. What did Mr. Williams say to you? A. He asked me had I signed a blue card.

Q. What did you say? A. I did not say anything.

Q. Did he say anything else? A. Yes, he said "You know yourself Mr. Milliken would not run the mill under a union."

Q. Did he say anything else? A. No, not then.

Q. Did he ever talk to you about the union after that? A. Yes, Sir.

Q. When? A. It was a few days after the election.

Q. A few days after the election? A. Yes.

Q. Where were you? A. I was in the mill.

Q. What did he say? A. He said McDaniel did not believe that the mill was going to close down, he said that he was the craziest grown man he ever seen.

[566] Q. Did he say anything else? A. Yes, he said you see what you people have done by voting the union in, you will all lose your jobs.

* * *

[567] EUGENE MCDANIEL, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. Route 1, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mr. McDaniel, did you ever work for the Darlington Manufacturing Company? A. Yes.

Q. What was your job there? [568] A. Creeler.

Q. In what room did you work? A. The card room.

Q. How long did you work for the company? A. About a year and nine months.

* * *

Q. Mr. McDaniel, did you ever wear a union button in the mill? A. Yes.

Q. Did any supervisor ever talk to you about it, the union button? A. Yes, Charlie Williams.

Q. When was that? A. The night before the election.

[569] Q. What did he say? A. He came up to where I was working and looked at the button I had on, and he said "I did not know you was one of them pushers."

Q. Was anything else said? A. Well, he said, I said "If that is what you want to call me that is all right", he stepped back off from me and then took a little book out of his pocket and wrote something, I don't know what he wrote and went on.

Q. Did he say anything else? A. No, not at that time.

Q. Did he ever talk to you about the union after that? A. Yes. After the election he did.

Q. How long after the election? A. It was a few days, I don't remember exactly how many.

Q. Where were you at the time? A. I was on the job.

Q. What did he say to you? A. He walked up to where I was at and said, "Well, you see what the union has done for you, I hate it", and I said, "What do you mean", and he said, "What, you have not heard?", and I said "What", and he said, "They put us out of a job, and me out of a job and all the rest of us out of a job", and he said "They are going to close the mill down." I looked at him and said "How", and he said "That is right." And I said [570] "What you mean they are going to close", he said "They are going to close down", and I said, "Yes, I heard a rumor", and he

said "Rumor Hell," he said, "They are going to shut down and sell the machinery." I said "Well, if they are, I want to put in an application now to—for a job to help move it out". He said, "Well, I guarantee you won't get any job here", and walked away.

Q. Did Williams ever talk to you about the union after that? A. The night that I was laid off.

Q. When was that? A. The night of the 17th.

Q. The 17 of October? A. Yes.

What did he say at that time? A. He came up to where I was at and said, "Well, tonight is your last night", he said, "Your job is finished but you should not be worried about it, you helped bring it in here."

* * *

[573] MRS. FRANCES LENORA BOAN, a witness for and in behalf of General Counsel, who stated to the Court that she did not swear on oath, was asked by the Trial Examiner, "You solemnly affirm the testimony you give to be the truth, and the whole truth and nothing but the truth?" The witness stated "Yes".

Trial Examiner:

* * *

Q. Your address? A. Route 5, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mrs. Boan, did you ever work for Darlington Manufacturing Company? [574] A. Yes sir.

Q. What was your job? A. Spinner.

Q. How many years did you work for the company? A. Approximately eleven.

* * *

Q. Did any of your supervisors ever talk to you about the election? A. Mr. Kinsey.

Q. That is the union election? A. Yes.

Q. And when was that he talked to you? A. He talked to me on the job on the 5 of September.

Q. What was the conversation? A. He showed me a picture and on the picture it had two people and they had voted for the CIO and their privileges [575] had been taken away from them, and also on the picture it showed two more people that voted against the CIO, and they had their privileges, and on the picture he had it wrote out in his pen and it said, "Vote No for CIO".

Q. Did he say anything to you? A. First he asked me was I a Christian, and I told him yes, that I was, and he handed me the picture and said, "I'm sure you don't want this to happen to you", and I taken the picture and looked at it and read it and whenever I got through with it I put it back on the spinning frame, and he came back along after a while and got the picture and left.

* * *

Q. Following the election was anything said to you about a petition? A. Yes. Mr. Kinsey came to me.

Q. Did Mr. Kinsey talk to you about the petition? A. No, Katherine Meadors brought the petition.

Q. Did you have a conversation, were you asked to sign the petition? A. Yes.

Mr. Price: We object to that, Your Honor, this lady in question is no supervisor at all and had no authority at all in any way to do anything like that in the mill.

Trial Examiner: Well, we will accept this much, another [576] employee brought a petition to this witness.

Q. (By Mr. Dyer) Did you have any conversation with any supervisor about the petition? A. Yes, Mr. Kinsey came to me after Katherine left and he said that he did not see my name on the petition, and said he wanted me to know that it was not against the union. He said that he did not see why I did not put my name on it, but I did not say anything to him.

Q. Did he say anything else? A. Not at that time.

Q. Did he say something at a later time? A. Yes, he came to me on the 12 of September, I believe right after the directors meeting, had had the meeting in Spartanburg, and he told me that they had tried to talk with all of us about the union and said we would not listen to him, and said now that we had voted the union in that the mill was going to close.

* * *

[578] DOUGLAS TAYLOR, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. 113 Cotton Street, Darlington, S. C.

Direct Examination

Q. (By Mr. Dyer) Mr. Taylor, did you ever work for the Darlington Manufacturing Company? [579] A. Yes, I did.

Q. What was your job there? A. Weaver.

* * *

Q. How long did you work there? A. Approximately two years.

* * *

Q. Did any supervisor ever talk to you about the union? A. Yes, Sir.

Q. Who did? A. Mr. Dewey Cox.

Q. When? A. It was about a week before the election.

Q. Where were you? A. I was on my job.

Q. What was the conversation? [580] A. He came up and told me that someone had told him that I had got several to sign union cards and asked was it true, and I told him yes, and he said "Well, I would not be in your shoes for a million dollars because if the union comes in the mill is sure to close and everyone will lose their jobs".

* * *

Q. Did Mr. Cox talk to you about the union after that? A. Yes, he talked to me about a week after the election.

* * *

Q. Where were you at that time? A. On the job.

Q. What did he say then? A. He told me that he had told me before that the mill would close if the union came in, I mean if it was voted in, and on several occasions he told me that it would close if the union was voted in.

* * *

[582] GRACE TRUETT, a witness for and in behalf of General Counsel, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. 652 Churchill Street, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mrs. Truett, did you ever work for the Darlington Manufacturing Company? A. Yes.

Q. How long did you work there? A. Eight years.

Q. What was your job? A. I was a spooler.

* * *

Q. Did any supervisor ever talk to you about the union? A. Mr. Frank Kinsey did.

Q. Did he talk to you once or more than once? A. Two times.

[583] Q. Did he, do you remember when the first time was? A. Just a few days before the election.

Q. Where were you at the time? A. I was on my job.

Q. What did Mr. Kinsey say? A. He come out there where I was working and told me that none of the union people would ever be able to get a job anywhere, and then after the election just a few days, he come back and told me that if I would get a petition and get the union people to sign it that we were sorry that we voted the union in, and that we would not have anything else to do with it, the mill would run on, but I did not do that.

Q. Now those are the two converations you mentioned? A. Yes.

Q. You said the other one was some time after the election? A. Yes.

Q. About how long? A. It was after the people had taken the other petition around and I did not sign it.

Q. It was after the first petition? A. Yes.

* * *

[592] CHARLES KELLY, a witness called by and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

* * *

Trial Examiner: And your address?
The Witness: 117 Cotton Street.

Direct Examination

Q. (By Mr. Dyer) Mr. Kelly, did you ever work for Darlington Manufacturing Company? A. Yes, sir, I did.
Q. What was your job there? A. I was a filling doffer.

* * * *

Q. How long did you work for the Company? A. Approximately three years altogether.

* * *

[593] Q. All right, did any of the supervisors ever talk to you about the Union? A. Yes, sir, they did.
Q. Who? A. Mr. Passmore, and Mr. Kinsaul.
Q. Mr. Kinsaul? A. Mr. Kinsaul was Second Hand before Mr. Passmore.
Q. I see. Let's take Mr. Kinsaul first, then. What was your conversation with Mr. Kinsaul? A. I believe it was on—around May 21st.
Q. All right, where was it? A. Well, I had finished doffing my frames and I was caught up for a little while and stopped down at the bottom of the stairs leading to his office and he called me up to his office to show me production sheets.
Q. What was his conversation with you? A. Production was high and he complimented me on my work and while we were talking he asked me how I felt for the Union and I told him I was for the Union, I had signed [594] a blue card, then he told me he didn't figure the Union would

do us any good because if it came into the plant it would cause nothing but confusion and hard feelings.

* * *

Q. How about Mr. Passmore, did you ever have any conversation with him about the Union? A. Yes, sir.

Q. One or more than one? A. I had, I believe, two conversations with Mr. Passmore about the Union.

Q. All right, when was the first one? A. The first one was around August 15th.

Q. Of what year? A. Of 1956.

Q. And where was that? A. That was down at the bottom of the stairs.

Q. All right, and what was the conversation? A. He asked me how I felt about the Union. In other words, he said, "Kelly, are you for the Union?" I said, "Yes, sir, I am, 100%," and he just turned and walked away from me.

Q. How about—you mentioned a second conversation. When [595] was that? A. Yes sir, he approached me approximately a week later and showed me a picture and on his picture there was a colored man leaning over a white woman. She was sitting at a table. He told me that's all the Union wanted to do, was integrate the negroes and the whites.

Q. Was that all the conversation? A. That was all of that conversation, but he did talk to me again.

Q. He did talk to you again? A. Yes, sir.

Q. When was that? A. The day of the election. See, I went to work at 12:00 o'clock and that was on the 6th of September and I wore a Union button to work and he approached me right before the lights flashed and during that time the lights flashed I had started to my job.

Q. What did the lights flash for? A. The lights flash, that's the time for you to go on your job, that's the way they

change shifts. I had started to my job and he stopped me at the door and told me I could not go to my job with that badge on. I asked why, and he told me orders that came up from the big office that we couldn't wear the badge there on my job. I told him I was, and if he wanted it off he could take it off. He didn't do [596] so, he turned around and walked away.

* * *

[602] NORA LEE KING, a witness for and on behalf of General Counsel, first duly affirming to tell the truth, the whole truth and nothing but the truth, was examined and testified as follows:

* * *

Trial Examiner: Your address?
The Witness: Route 5, Darlington.

[603] *Direct Examination*

Q. (By Mr. Dyer) Mrs. King, did you ever work for Darlington Manufacturing Company? A. Yes, sir, I did.

Q. What was your job there? A. Spinning.

Q. How long did you work for the company? A. Well, the last time I worked 14 years.

Q. How long did you work for the company altogether? A. I started to work when I was 7 years old and I worked two years and learned, and my mother died and I went to the country, stayed with my sister, and I stayed there until I was 10 and I came back. I was born in 1900; 1910 I went back to work, got me a job.

Trial Examiner: You worked for the company off and on for a long time?

A. Yes, sir, from 1910 util 1922, then I married and worked 14 years the last time.

* * *

Q. Did any of the supervisors ever talk to you about the Union? A. Yes, sir.

[604] Q. Who? A. Mr. Shirley and Mr. Kinsey.

Q. Let's take Mr. Kinsey first. A. All right, sir.

Q. When did Mr. Kinsey first talk to you about the Union? A. The first time, it was the time the "super" came up there.

* * *

[605] The Witness: It was the 12th of September, now I remember, that's right.

* * *

Q. Where were you at the time? A. On my work.

Q. What did Mr. Kinsey say? A. He came down there in a big hurry and walked up to me. I was spinning, and he said, "Well, Nora——," said, "You and your daughter now has both voted this old Union in here and they are going to close the mill down," said, "the 'super' was out there in the office just now and he was so mad he was just cursing, and he said that—I don't want to repeat the words but I'll say the number—he said he didn't give a "D" if the mill did close and he didn't give a "D" if the union people perished to death," and he said that and he said that Mr. Kinsey also asked him did he blame him for it, said, "You don't blame me for it, do you?" Said "I blame you 90%." I said, "No, not 90%, but a hundred." That's what I told Mr. Kinsey.

[606] Q. Is that all there was to the conversation? A. At that time.

Q. Did you have a further conversation with him? A. Yes, sir.

Q. When was that? A. That was on the day of carrying that petition through, that was—I don't know the date exactly, but I guess all of you know the time there was a petition carried through the mill.

Q. And did Mr. Kinsey talk to you about—what did he talk to you about? A. Well, he came up there, was checking the humidities, and he had a little jar in his hand with the water where you put the thermometer in to cool it off, and he said to me, "Nora, did you get a good blessing last night?"

Trial Examiner: Get a what?

A. A good blessing, and I said, "I sure did, I really had a good blessing when I went home. I prayed and the Lord really blessed me." He said, "Well, all right, now, while you are thinking of these little children that's going hungry and barefooted and naked and being taken out of school on account of this old Union being in here," said, "you think you feel justified about it?" And another thing, said, "I knew that you was persuaded to join the Union but," said, "I was really surprised when your daughter Frances [607] Boan, joined it." And he also said this, he asked me this, said, "You haven't gotten any more influence over your children than to let them join the Union?" And I didn't say nothing. I let him talk on——

* * *

Q. (By Mr. Dyer) Let's go on to something else, Mrs. King. Did you have mentioned to you the petition that was being circulated in the mill? A. Who did?

Q. Did anyone mention the petition to you? A. Yes, sir.

Q. Did you have any talk with a supervisor about the petition? A. Yes, sir.

Q. Who? A. Miss Ida Thame came to me with a petition. Mr. Kinsey came up there at the time she was going to talk with me about it and he began to go on about Mr. Welch being 100% for it and had had his name first put on there at the top, and then he also said that Mr. Cook was 100% for it and he [608] was down there talking to him about Mr. Welch putting his name on the petition and Ida told me that——

Q. (By Mr. Dyer) Just a second, we are not taking an interest in what Mrs. Thame told you. Was that your conversation with Mr. Kinsey about it? A. Not all of it.

Q. What was the rest of the conversation with Mr. Kinsey? A. He said, "You and your daughter is afraid someone is going to hurt you." I said, "We are not afraid, we have already been hurt."

Q. What did Mr. Kinsey say, anything? A. That's all he said.

Q. Did you have a conversation with any other supervisor about this petition? A. Yes, sir.

Q. Who? A. Mr. Shirley.

* * *

Mr. Poag: Object to any phone calls.

Q. (By Mr. Dyer) Just what Mr. Shirley said to you about the petition. Did you go to see Mr. Shirley or did he come to see you? A. I was sitting on the waste box waiting for light [609] changing time and he always goes around to see how the work was.

Trial Examiner: What did Mr. Shirley say to you?

A. He came up there and I asked him what kind of a paper was it that was going around, that I wanted to know, and he said he didn't know what kind of a paper it was, he hadn't seen it, or didn't care, but he wanted me to put my name on it. I told him no, I wouldn't, because when I put my name on that paper my job would be gone and he didn't say anything, then I went on to my work.

Q. Did you have any other conversation with Mr. Shirley? A. Yes.

Q. When? A. On the 17th of October.

Q. 17th of October? A. Yes, sir.

Q. All right, and where were you at that time? A. On my job.

Q. What did Mr.—you say Mr. Shirley talked to you at that time? A. Yes, sir.

Q. What did he say? A. He was going—making a round again, looking at the work and he walked up to me, just as he was going through the heads, and he said—I call them heads, the smolders—[610] asked me how my work was running and I told him it seemed to be doing all right and we kept on talking, and I said, "Well, I think I can talk to you a little bit today." I said,—I did cry because I had been mistreated, and I said, I told him I didn't think I would be a cry baby today, I could talk with him. He said, "Well, I see you didn't sign the petition like I asked you and you are going to suffer." And I told him well, it had taken me a long time to study over the Union situation, and making up my mind getting into it, and so it would take me a long time to get out of it.

Q. Did Mr. Shirley say anything else at that time? A. He said he was here until Christmas and he was looking for him another job.

* * *

[612] MRS. MARIE TRUETT, a witness for and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

Trial Examiner: What is your full name?

The Witness: Marie Truett, Route 5, Darlington.

Direct Examination

Q. (By Mr. Dyer) Mrs. Truett, did you ever work for Darlington Manufacturing Company? A. Yes, sir, I did.

Q. What was your job there? A. Filling batteries in the weave room.

Q. How long did you work for the company? A. Well, right about 15 years, I reckon.

* * *

[613] Q. Any of the supervisors ever talk to you about the Union? A. Yes, the night of the election.

Q. Who? A. Mr. Troy Tobias.

Q. Where were you at that time? A. On the job.

Q. What did Mr. Tobias say? A. He brought a paper around with yes or no on it and he showed it to me, he said, "You know how to vote, don't you?" And he took his pencil and marked "X" across the "NO". I said, "Yes, I know how to vote."

Q. Was there any other further conversation? A. He said, "This company won't have a Union in it," said, "if a Union comes in here it would shut down."

* * *

[614] VIOLA WEATHERFORD, a witness for and on behalf of General Counsel, being first duly sworn, was examined and testified as follows:

Trial Examiner: What is your full name?
The Witness: Viola Weatherford, Route 5.

[615] *Direct Examination*

Q. (By Mr. Dyer) Mrs. Weatherford, did you ever work for Darlington Manufacturing Company? A. Yes, sir.

Q. What was your job there? A. Spinning.

Q. How long did you work for the company? A. From March of '51 until '56, October 19th.

* * *

Q. Any of the Supervisors ever talk to you about the Union? A. Yes, sir.

Q. Who? A. Mr. Shirley.

Q. When was that? A. It was about a week before the meeting of the stockholders committee.

Q. All right, and where were you at the time? A. On my job.

Q. What was the conversation? A. Well, he walked up to where I was standing and I asked him how much longer I had to work on the evening shift and he said, "From the looks of things now—" said, "you'll [616] be on the evening until the mill is liquidated."

* * *

A. Said, "I decided to let you run a roping out of these frames," and I asked him, I said, "Mr. Shirley, do you really believe they are going to shut the mill down?" Said, "Yes, ma'am, I knew when the Union went in they would shut the mill down," said, "as far as these frames you're running," said, "we already have a sale for them," said, "I'll tell you what kind of a man Mr. Milliken is, he figures that a man that will vote for a Union won't give a man a day's work."

* * *

[619] ROGER MILLIKEN, a witness for and on behalf of the Union, being first duly sworn, was examined and testified as follows:

Trial Examiner: Your full name?

The Witness: Roger Milliken.

Trial Examiner: Your address?

The Witness: 234 South Fairview Street, Spartanburg, South Carolina.

Direct Examination

Q. (By Mr. Zimny) Mr. Milliken, are you associated with the Darlington Manufacturing Company? A. I am.

Q. In what capacity, sir? A. I'm President of the Darlington Manufacturing Company.

Q. Are you on the Board of Directors of the Darlington Manufacturing Company, as well? [620] A. Yes, I am.

Q. Mr. Milliken, how long have you been in the textile business? A. Since 1939.

Q. So that you have a good acquaintance with the operation of a textile mill? A. I hope that I have.

Q. And does your acquaintance include the operations of the textile mills in New England as well as in the south?

* * *

[645] Q. (By Mr. Zimny) I show you Union Exhibit 4 for identification, which is a photocopy of an article appearing in The Spartanburg Herald, Spartanburg, South Carolina, on January 20, 1956, and which purports to quote certain portions of a speech you delivered before the Kiwanis Club in the month of January, 1956. Will you examine this and tell me whether or not these remarks were, in fact, made by you? (Counsel showed document to wit-

ness). A. I think that the newspapers have used their privilege to take certain remarks that I made and put them together in the form of sentences here.

* * *

[647] Q. (By Mr. Zimny) Does that represent the substance of what you said, Mr. Milliken? A. This represents some of the things that I said in that talk, which was considerably longer than that which is quoted here.

* * *

[650] Trial Examiner: Mr. Milliken, did you on the occasion of your remarks before the Kiwanis Club in Spartanburg, say that Walter Reuther and his brother once went to Russia to study? I'm going to read this entire thing:

"Reuther wrote to a friend in America, addressing him to 'keep up the fight for Soviet America.'"

Did you thereafter say, in the course of the same remarks to the Kiwanians, "Let's fight together to keep this foreign philosophy out of our town. Let's work together to the end that Spartanburg and South Carolina can grow together and demonstrate to the rest of the country the advantages of teamwork between workers and management. That is our secret weapon."?

* * *

[655] Q. Now Sir, how long have you been president of Darlington? A. Since 1944, twelve years.

Q. Now do you take any salary from Darlington as president? A. Yes, I do.

Q. How much is it? A. Three thousand dollars a year.

Q. Were you also a stockholder in Darlington personally? A. I am.

Q. Approximately how many shares do you have? A. Approximately 7100 shares.

Q. How long have you owned those shares in Darlington approximately? A. Over ten years.

Q. Now are you also a director of Darlington? A. Yes, I am.

Q. How long have you been a director of that company? [656] A. Since 1942 I believe.

* * *

Q. Now the other directors of Darlington in September, 1956, were whom, please? A. Jim Oeland, treasurer, was a director, Mr. Nicholson, Mr. Lyles, Mr. Hatch, Mr. Kingsley, and Mr. Minot Milliken.

Q. Now of those directors, did any of them other than Mr. Oeland and yourself receive any salary from Darlington? A. No Sir.

Q. How long have you been in the textile business, Sir? A. May I make a correction, Mr. Nicholson had been treasurer of Darlington Manufacturing Company and was retired on a pension from the company.

Q. When was that? A. He retired I believe in 1951, and the time when Jim Oeland went there as treasurer.

Q. How long, Sir, have you been in the textile business? A. I went into the textile business in 1939.

Q. And have you been constantly in that business since that time? A. Yes Sir, without interruption.

[657] Q. Now what are your duties as president of the corporation, in general? A. As president of the corporation it was my duty to preside over the board of directors when the board met, from time to time I would review the operations of the company with the treasurer, Jim Oeland, and at these meetings we would get together, we would

discuss the operations of the mill, in the period immediately preceding the discussion what our current operations were, and what our prospective operations were.

* * *

[659] Q. Now you made reference to, I don't know whether facts for selling but let me get at it this way. In the operation of Darlington, was there a period of time, some period of time which normally elapses between the receipt of an order on the one hand and the delivery of order on the other? A. Yes, there was.

Q. About how long was that period of time? A. Darlington would generally book orders ahead as far as it was possible to do so, so that they might set up and be able to plan their production ahead with the most time to do it. The backlog of orders that Darlington had varied of course with market conditions, some times they had backlog of six weeks production and some times with backlogs of twelve [660] to fourteen weeks production. As against that total mill capacity now that could mean that on one fabric order they could have a backlog of six months and another one a backlog of two weeks.

* * *

Q. Now what in general were the duties of the treasurer? A. In the textile industry the position of treasurer is comparable to that of president in most other business organizations with which the public is generally familiar. Darlington was no exception.

* * *

[661] Q. (By Mr. Updike) Will you state what the specific duties were, Sir? A. Jim Oeland, who was treasurer of Darlington Manufacturing Company, was responsible to the Board of Directors for the operations of the

mill. He was responsible for the purchase of raw materials, he was responsible for the accepting of orders for sale of fabrics made by the mill. In this connection as treasurer he went to New York regularly to call on customers.

* * *

[662] Q. Now who decided what goods were to be run on the equipment at Darlington? A. Jim Oeland did.

Q. The treasurer did? A. Yes.

Q. Now within the range of your acquaintance with Darlington has it always been called a print cloth mill? A. Yes.

Q. Will you state for the record in general what a print cloth mill produces? In other words what is a print cloth mill or what are print cloth mills, what are print cloths? A. The print cloth mill is a mill that manufactures fabrics which are generally printed in subsequent processes, made out of the finest yarns that can be manufactured using the [663] carding system of manufacture as contrasted with the comb system of manufacture.

* * *

[667] Q. Now will you indicate again in a general way what the physical limits of the capacity of Darlington equipment, in other words the types of cloth, cotton fabrics that the company could not make? A. With the equipment that it had as a print cloth mill, Darlington could not without substantial re-arrangement of its equipment make other items such as denims, ducks, trills and quills, towels, any combed yarn fabrics that would require combs. In other words it was limited to the manufacture of yarns in the print cloth ranges.

* * *

[669] Q. Now Mr. Milliken, I would like to turn to the subject of Darlington's earnings. First of all, do you know about how old the building was? A. I think that the Darlington mill was built around the turn of the century, or slightly before that.

Q. Will you then give us very briefly the background of the Darlington mill from some mile post in its history say for the last 20 or 25 years? Financial earning background is what I am asking for? A. During the early 1930's, the Darlington Manufacturing Company had a very disastrous financial experience, and in 19——

Q. Instead of characterizing it, what was the experience? A. The loss of a lot of money. In 1937——

Trial Examiner: When was this it lost money?

[670] A. In the early 1930's. And in 1937 its financial situation was so bad that it was put through bankruptcy proceedings under "77-B" of the Bankruptcy Act. At that time its selling agent, Deering, Milliken, took common stock for the debt that was owing to it by the Darlington Manufacturing Company.

Q. Was that the stock that Deering, Milliken & Company had according to the record before the Examiner, is that the stock that Deering, Milliken had on September or October 17, 1956? A. Yes, it is.

Q. Will you please continue? A. Following that, the mill had another loss in the 1930's and was constantly in debt to the selling agency. Then came the years of the war, when the Darlington Manufacturing Company made a small amount of money in each year because of the existence of prices ceilings on the product. In the years immediately following the war when there was a great pent-up demand from the civilian population and from the return of service

men for textiles, the Darlington Manufacturing Company made substantial amounts of money in several years, and this period of prosperity for Darlington continued until the ending of the abnormal demand created by Korean war.

Q. That would be about 1951? A. Yes, about 1951.

* * *

[671] A. In the last five years the mill has, Darlington mill has made comparatively small amounts of money, and when the directors met to review the financial history and reviewed the financial history of the last five years, counting the projected loss for the year 1956——

Trial Examiner: Which meeting are you speaking of?

A. The one held on September 12, 1956. The mill had experienced for a five year period a return of 2.8 on the average invested capital during that period. Now——

Mr. Dyer: Was that for the past five years or——

A. For the five years from 1952 through 1956.

* * *

[688] Q. Now what then is the next stage, the lap goes to? [689] A. The lap is then transported to the back of a card.

Q. Now at Darlington how was it transferred? A. It used to be transferred on trucks but in 1956 a lap conveyor system had been installed to facilitate the movement of laps from the picker room to the card room.

Q. All right, was that part of the modernization program that had taken place? A. Yes, it was.

Q. Within the last five years? A. Yes, within the last year in that instance.

* * *

[690] Q. Now during the period 1952 through 1956, was there [691] changes in those mechanisms at Darlington? A. Yes.

Trial Examiner: When was that?

Q. (By Mr. Updike) About when was that, Mr. Milliken? A. I think in the last part of 1955 and the beginning of 1956, new and larger card cans and coiler heads were placed in the front of each card.

* * *

[693] Q. I show you what purports to be two things that I believe are bobbins, are they? A. Yes, they are roving bobbins with roving on them (two large spool type bobbins with white yarn wound around them).

Q. I notice that that one is smaller than the other, can you state for the Examiner on the record the significance of the difference in size between the two? A. The smaller roving bobbin which is full comes from the roving frames that is called a 10 by 5 roving frame. The larger bobbin is made out of a roving frame that is called a 12 by 6½ roving frame.

Q. Now does the difference between these two bobbins that I have before me here, which I think you testified were full, is that right? [694] A. Yes, that is correct.

Q. Does the difference between those two reflect the modernization change at Darlington in the last few years? A. It does.

Q. Can you first tell me what was done? A. I think it was again in the latter part of 1955 or early part of 1956 that the Darlington Manufacturing Company purchased

five 12 by 6½ roving frames from the Whiten Machine Works, and replaced the 10 by 5 roving frames in the mill.

Q. Now will you state briefly for the record the significance of the larger bobbins against the smaller ones in terms of frequency of labor operation at that particular stage of the cotton manufacture? A. I believe that the larger bobbin has on it approximately twice the poundage of the smaller bobbin, and that means that once the roving machine was started up with empty bobbins, it would run twice as long before it was necessary to stop the machine to doff it.

* * *

[695] (By Mr. Updike) All right. Was there any modernization program at Darlington that affected the creel of the spinnng frame? A. Yes Sir, the creels of the spinning at Darlington had been modernized first of all to hold this larger package, and secondly, to make possible a better running of roving to the drafting element on the spinning frame. The bobbin is suspended in the new creel from a clip.

* * *

[697] Q. Now when was the double apron drafting system installed at Darlington, about when? A. I believe that installation started in 1955 and continued through 1956.

[698] Trial Examiner: You mean through the entire year or not the entire year?

A. Up to the time of the directors meeting.

* * *

[701] Q. When you say that the yarn is wrapped on, would you say it is wound on as if the warper was a spool? A. A tremendous spool. It is a very large spool that has an inside diameter of approximately six to eight inches.

Q. That would be the core of the spool? A. Yes, and it has big heads at the end of it which used to be [702] 30 inches in diameter and are now 40 inches in diameter, and this spool is rotating this beam until the yarn coming from the creel has filled it up.

Q. Now when you say they were 30 and are now 40, was that a step of modernization at Darlington? A. That was a step of modernization.

Q. When did that take place? A. In 1956.

* * *

[706] Q. (By Mr. Updike) Mr. Milliken, when we were recessed or before the recess was declared, you were looking at a piece of paper and I was looking for copies of it which I have since found, which is a memo that you were giving to me, was that prepared under your supervision? A. Yes, from the audit statement of the company.

Q. Using it to refresh your recollection, can you find some item that we have overlooked in the course of your statement up to now concerning modernization?

I think I see one under spinning improvement, item 2 which is pneumafil, is that correct? A. Yes, that is correct.

[707] Q. Now to understand what pneumafil is, we have to go back to the drafting equipment on the spinning? A. Right.

Q. Now will you state on the record very briefly what pneumafil is, please? A. Pneumafil is an air suction device which is installed in the spinning room. It consists of a tube with apertures coinciding with the passage of yarn from the drafting element down to the spindle on a spinning frame. If an end breaks on a spinning frame, the pneumafil picks up the untwisted but drafted roving and it is sucked to a box at the end of the frame. This is very important.

Q. May I ask one further question. As long as that end or piece of yarn is broken, the spindle continues to spin without any yarn going on it, is that right? A. Yes, that is right.

Q. The front rollers of the drafting continue to push out or extrude the yarn, is that right? A. Yes, that is right. And it is the function of this pneumafil to draw in that yarn as it is being extruded in, until the worker can come and do whatever is necessary to tie it back in to the spindle, that is one of his functions.

Q. Now will you state what the others are? A. The other function is that the pneumafil performs to effect better distribution of humidity in the spinning room. This it [708] does by bringing the humidity which has been introduced in to the room by humidifiers by pulling the air with the humidity in past the cotton right after it has been drafted, it brings the humidity to the drafting area and therefore conditions the cotton so that it processes better, also pneumafil tends to remove flying lint from the air so that there is lesser accumulation of lint on a spinning frame and through less lint interference with the stock as it is processed. All of these improvements result in a substantial reduction of the number of ends down at spinning.

* * *

[709] Q. Now what else have we overlooked from this memo? A. I think we overlooked the replacement of worn out spindles in the filling spinning frames with new top drive spindles, they [710] don't show on here but it is an installation that took place during this period.

Q. Now in your earlier testimony you referred to the modernization of certain warp spindles and you were asked when that occurred. Do you recall that? A. I do.

Q. Did you check your memory on that during the recess? A. Yes, I checked it with Jim Oeland and I found——

Trial Examiner: Excuse me, which is this?

Mr. Updike: This has to do with the introduction of the ball bearing spindles in the warp spinning frame which I think Mr. Milliken said took place about six months after they were ordered, which was some time in 1954.

A. I found that three quarters of these had been replaced prior to Jim Oeland taking over as treasurer of Darlington, and that only 5,000 spindles were added in the period that I had in mind. But that in the same period all of the filling spindles were modernized which was the reason I was mixed up.

* * *

[713] Q. (By Mr. Updike) Mr. Milliken, you have just drawn to my attention that Company Exhibit 10 does not refer to the new looms at Darlington. Now were those new looms ever put in place? A. No, Sir, they were at the time of the liquidation sale stored in the warehouse preparatory to being installed at the mill, and it would be a bookkeeping practice not to enter machinery into the plant account of the corporation until such time as it had been placed in position, final position and started up and operating machinery. Of course these looms were sold at auction before they were placed in operation, hence do not appear on this specific report which was prepared from the auditor's statement.

Mr. Dyer: May I ask one question? I am not sure, does that mean that they are not included in the total auditor's statement?

A. No, they were never entered in the official records of the company.

* * *

[715] Trial Examiner: Let me ask, approximately what was the cost of installation of the change to top drive spindles and installation of overhead cleaners?

A. The overhead cleaners report here was $34,973.

Mr. Updike: Can you specify the item, under which column or another?

A. We have it cleaning and beam handling.

Trial Examiner: That was in the year 1955?

A. Yes.

* * *

Q. Now Mr. Milliken, each of these steps of modernization had to do with machinery and equipment rather than to the building, itself? A. Yes, that is correct with one exception.

Q. What is that? A. To a place that was being prepared on the ground floor [716] where the supply room had existed, where the floor was being concreted and the wall of the room in preparation for the reception of the fifty-inch looms.

* * *

Q. (By Mr. Updike) Now, directing your mind to changes in [717] the building, had consideration been given at any time during this period to air condition and refrigerating the building? A. The plan had been discussed on several occasions by the directors.

Q. In the course of that discussion, did any question arise with respect to the age of the building or the structure or other attributes of the building that led you either to defer or not to do it, I take it that it was not done? A. It was not done.

Q. And were there such factors, and if so please state what they were? A. Mr. Updike, the approximate cost of air conditioning a textile mill is four dollars a square foot. This would have meant an expenditure of, on behalf of the company of $800,000 to air condition the approximately 200,000 square feet of floor space in the mill, which was a very large sum of money. Darlington is a hot and humid climate in the summer time. The directors felt that if Darlington was to continue in business over a period of time, it would probably be necessary to air condition the mill. But each time the directors discussed the air conditioning, of the mill, they came up against several obstacles, the first of which was economic performance of the mill which did not justify making an investment that was permanent in nature, one that once made [718-a] could not be taken out, and a sum of money substantially the same as that had been invested recently through sale, secondly, the building was not laid out in one rectangular way and one room on each floor, but consisted of a main building with an "L" attached which meant that it was not stream lined as to production layout. The spinning for instance was on different floors, not all together. It was not the most efficient layout that one could look for in a textile industry, and the directors would want to have before commiting themselves to an expenditure as large as $800,000 or ten times their gross earnings for the period of the past five years. Furthermore, the building was an old building, and unlike some buildings that were built at the same approximate era, had much smaller ceilings——

Q. You mean smaller or lower? A. Lower ceilings so that the installation of all of the duct work that goes with air condition systems would have cluttered up the ceiling in a way that would have been more or less im-

practical. And the lower the ceiling is, it is my understanding, the less effective is the diffusion of air brought about by the air conditioning, so that when this matter was discussed as it was several times by the directors, they felt that the future was too uncertain, and the facts concerning the building, itself, were too adverse to justify making such an expensive factor whenever it was brought up, [718-b] it was decided not to proceed with such an expenditure. It was proposed and it was decided not to proceed.

Q. Now with reference to the possibility of the introduction of the higher speed looms, was any consideration given to that? A. It was. The recommendation had been made to the company by engineers that speeders be placed on the looms on the second floor and the speed of the looms increased.

Q. May I interrupt you a minute. Now you said recommendations had been made, are you referring to the Barns Report? A. Yes, I am.

Q. Will you please tell the Examiner the circumstances which led to the retention of Barnes Textile Associates, Inc., in July or August of 1955? A. At one of my periodic discussions with Jim Oeland, namely in the summer of 1955, we discussed our cost in the weave room, wherein Mr. Oeland told me that he was disturbed about the fact that our costs were not competitive with what he had found to be the cost of our competitors, and we discussed what could be done about that, and we decided that it would be a good idea to call in the services of a textile engineering firm that was familiar with weaving practices, efficiency, speed, costs, etc., in a vast number of textile mills and have his organization make a survey of our efficiency, costs, speed, etc., in Darlington and make recommendations to

the [719] management that we could take advantage of if he found that our costs were higher than our competition making the same fabrics out of the same yarn.

Q. Now in the summer of 1955, there had been no reference made to you of any question about a union attempting to organize the workers of Darlington? A. No sir.

* * *

[736] Q. (By Mr. Updike) Now, Mr. Milliken, you have testified this morning to various expenditures for modernization at Darlington and will you state—will you relate those expenditures in the direction of modernization to the problem, if there was a problem, of job assignments? A. The expenditures that were authorized by the Board of Directors to find out if it was possible to make Darlington competitive with other mills was to reduce, number one, the amount of work that had to be performed by the operator; was [737] number two—and this work could be actual machine tending or cleaning; and secondly, the improvements were authorized to improve the quality of the work as it was processed through the plant, so that there would be less breakages which constitute work when these breakages have to be mended and almost without exception whenever a breakage occurs, due to poor quality, and it is pieced up at spinning or pieced up at drawing or roving, a subsequent break takes place in spooling or in weaving, so the objective of the experimental program of modernization, of movable equipment, was to make, to improve the quality, to create less work, so that it would be possible for an individual operator to accomplish more production with no more effort.

* * *

[746] Q. (By Mr. Updike) Mr. Milliken, in the course of your discussions with the Directors at Darlington, both

in September of 1956 and earlier during that year or other years, had you discussed from time to time the significance, with respect to Darlington's earnings, of the job assignments at Darlington? A. Yes, sir.

Q. And specifically in September of 1956 was the subject of job assignments at Darlington under discussion? A. Yes, sir, the main problem in connection with job assignments which was discussed at the Directors' meetings held during the years in 1955, '56, when discussions of authorizing money for the purpose of new machinery was brought up, was the fact that such authorizations were recommended on the basis that if the machinery were installed and operated to advantage by the operators cooperating with the equipment, that savings would be made and would make us more competitive with practices that Mr. Oeland reported he knew were common in terms of job assignments in competing mills and one of the large problems that came before the Directors when they met in September was the fact that we had authorized money for the installation of equipment for the purposes of increasing job [747] assignments and making a saving in cost to make Darlington competitive and perhaps make it possible for us to stay in business against competition and the fact that we were not obtaining the savings it had been anticipated would be forthcoming from these installations.

Q. So, for example, some modernization was begun, I think it was 1951, as shown by Exhibit—Company's Exhibit 10, and again—I guess the first date there is 1952—again in '53 a modest amount; again in '54 there were modernizations. Was there discussion as to whether Darlington was producing what it had been anticipated would be produced from these attempts at modernization? A. That's correct, and it was brought out it was not producing.

Trial Examiner: When was this brought out?

The Witness: At the Directors' meeting on September 12th.

Q. (By Mr. Updike) When you say it was brought out, these discussions with Mr. Oeland on job assignments from time to time with respect to specific jobs? A. No, sir, when Mr. Oeland and I would discuss the matter of cost and job assignments he would discuss his cost per pound, perhaps by department, the fact that he knew from checking with competitive mills that his cost per pound was higher than their cost. Those, in turn, could be broken down, and sometimes we went into the details of the new program as how [748] that would be affected by purchases of machinery in individual departments.

Q. For example that might be a cost per pound for carding and a cost per pound for spinning process? A. That's correct.

Q. How was that related to the job assignments involved? A. Well, obviously the main element in the cost of an operation in Darlington was the labor component and if a job—if an operator was handling 3800 spindles of spinning instead of 2200 spindles of spinning, and they were operating at the same speed in both instances, obviously the one taking care of 3800 spindles would produce more yarn for her efforts than the one running 2200 because each spindle produces the same amount of poundage for a given period.

Q. Now, while you've used the spinning as an example, do the same considerations affect the number of card machines that are—number of cards that are tended by a particular worker? A. Yes, sir, and the number of looms taken care of by an individual weaver or loom fixer.

* * *

[749] Trial Examiner: I think we might ask the witness whether at the Board of Directors' meeting—is this the September 12th?—there was any consideration of whatever there was and then have him tell us what it was.

Mr. Updike: All right.

The Witness: At the Board of Directors' meeting, Mr. Examiner, we discussed the fact, and I brought out the fact, that in my discussions with Mr. Oeland he had told me that our cost of manufacturing by individual jobs and by department were substantially higher than those of our competition and that in spite of the fact that new machinery had been installed in the Darlington Manufacturing Company, it had not been possible to reduce our cost by the amount that had been anticipated because of the fact that—take two examples—the ends down in spinning had been maintained at a higher rate than was the case in mills of competition and had not come down and that the loom stops, the warp stops in weaving had also remained at a high rate and had not come down so it was impossible to assign, on an engineering basis, the number of machines per operator that should have been justified from the installation of that machinery had the quality of the work [750] been performed in the way that it was being performed in competitive plants.

* * *

[752] Q. (By Mr. Updike) Now, if you know, Mr. Milliken, what did these employees do? What was the scope of their duties? A. In the Darlington mill there was a Technical Superintendent who was responsible for the staff functions of the Darlington Manufacturing Company oper-

ations. He had, among other responsibilities, reporting to him Industrial Engineers. The job of the Industrial Engineers and their assistants were to record the quality and the quantity of the production throughout the plant. That meant in the spinning room, under their direction, would be taken what is known as ends down tests and this means a test to determine the number of ends down per thousand spindle hours. That means broken ends for every thousand hours a spindle ran, so that the quality of the work could be observed. By the same token there were those whose job it was to record at intervals the number of breaks that took place on the looms and whether they were warp breaks or filling breaks or mechanical stoppages and to compare these number of breaks and stoppages from time to time so that if there was an increase or a decrease in such number adjustments could be made to correct [753] what had happened, if it was an adverse trend or could study the assignment with a view of allocating the employee over the number of machines or spindles that it was possible for her to attend, doing an amount of work that had been studied on an engineering basis and which included an allowance for permanent time.

Q. Now, sir, did you learn from time to time from Mr. Oeland what the results were of these observations? A. Yes, sir.

Q. During the early part of 1956 or in some periodic basis, is that right? A. One of the most important things that we discussed when we got together was the progress——

Q. First of all, was it on some periodic basis? A. Yes, sir.

Q. And would these be oral reports or how were they rendered to you? A. Generally, when we got together either at the mill or in New York, or in Spartanburg at my office.

Q. All right.

Trial Examiner: The question was, was it oral or in writing?

The Witness: Generally oral.

Mr. Updike: I took i the answer was oral.

Q. (By Mr. Updike) Now, did these discussions go into [754] detail with regard to these comparisons or were they discussions of the cost of producing goods at Darlington or what form did they take or did it vary from time to time? I've asked three different questions in my endeavor not to lead the witness.

Trial Examiner: The question has been asked. Now, let's avoid the component on the endeavor. What was the nature of those discussions?

The Witness: Generally to ask Mr. Oeland if he had made progress in reducing his cost, and cost ends down per thousand spindle hours and warp stops are probably the two single most important indications of what constitutes these two important jobs of spinner and weaver. I would ask him what the ends down per thousand spindle hours was or what the loom stops, warp stops per loom were and if progress was being made with the installation of the new machinery, in reducing them and making possible the handling of additional looms and spindles by the workers without additional work.

* * *

Trial Examiner: Before we get to that, the witness has told us that from time to time he discussed this with Mr. Oeland and asked whether progress had been made. I'm [755] interested in any response to those inquiries.

* * *

A. I guess we probably discussed this specifically every three months and Mr. Oeland reported that generally that some progress had been made but nothing like the progress that we had expected or knew could be made or that he knew could be made from the installation of the same equipment.

* * *

Trial Examiner: We—before we leave this, I'm still interested in Oeland's report. Mr. Oeland reported progress [756] but nothing like the progress that could be made?

The Witness: That's correct.

Trial Examiner: As a result of those installations?

The Witness: And as against the goals that he had set for Darlington to be accomplished.

Trial Examiner: And approximately when would you say Mr. Oeland made such reports to you?

The Witness: I think, Mr. Buchanan, we discussed this specifically in early February of last year, in May of last year, and in July of last year.

Q. (By Mr. Updike) Now, did Mr. Oeland report to you any view or basis of mind that he had with respect to the failure to measure up to what he had hoped for, his goal? A. Yes, he did.

Mr. Dyer: Limit that to some time.

Mr. Updike: One or more of these meetings to which he has just testified in answer to the Examiner's question.

Trial Examiner: The answer is yes and when was that, is that what you want?

Mr. Updike: Yes, sir.

The Witness: The next question that I would ask at these times, Mr. Examiner, of Mr. Oeland, was "Why do you feel that we haven't been able to achieve the results that you had hoped we would achieve?" And Mr. Oeland told me that he felt that there was a minority of operators in the plant [757] who were not cooperating with him and with his supervision in doing the best that they could with the new machinery and that as a result the quality of the stock was not what it should be, and the efficiencies of the machines were not as high as they should be and that he had noticed this from the time he first went to Darlington. It was a factor that he hoped would improve as he was there longer, but that as far as he could see that it was there and it was a very conscious impediment to his attaining the results that he had hoped to be able to achieve.

* * *

Q. (By Mr. Updike) Mr. Milliken, just before the recess you testified to a conversation with Mr. Oeland concerning a group of employees which in his view—I'm just giving the substance of my recollection of it—group of employees that in his view were resisting the deriving by Darlington of the benefits of the modernization that was being put in or [758] had been put in and Mr. Dyer, during the recess, asked me when that conversation was. Now, would you put on the record when it or they were? A. I think that Mr. Oeland told me that at each of the three meetings I referred to earlier, namely, in January, late January or early February, in May and July when we met and specifically discussed the progress that Darlington had made towards achieving its goals in cost reduction.

Q. Now, I believe you also had reference to conversations with him early after his arrival at Darlington? A. That's correct.

Q. Were they to the same effect in substance? A. That's right.

* * *

[779] Q. (By Mr. Updike) Do I understand that the Company has gone, then, from making fancies into making what might be called a plain staple of an unusual construction? A. Of a very high quality carded broad cloth which was embossed by the same customers. Now, as the technology, the know-how, of the embossers improved, they found that instead of having to use 112x60 construction, they could get the same results by using 109x58, provided it was a little bit heavier and that is the reason why in 1955 the mill was able to sell 16,000,000 yards of this construction to customers that had previously bought from the waffle piques and the piques. In fact, Darlington manufactured the 109x58, had the best breaking strength of any mill supplying this trade and, therefore, got more than their share of this business through having made that special quality, but then you will notice that in 1956 that fabric started to peter out, Number 1. Other mills had learned how to make the 109x58 of a good breaking strength, but primarily the loss took place owing to the fact that the finishing plants, in [780] further improving their technology, had found a way to emboss waffle piques and piques on 80 squares which, as I stated earlier, is the workhorse of the print cloth industry and which is manufactured by most efficient mills at the lowest, at very low cost, costs that Darlington could not achieve.

Q. Now, looking then at Company's Exhibit 13, as an entirety, and as the Company went from one construction

to another construction to a still different one in an effort to find a market where Darlington's goods could be made and sold at a profit, what effect, if any, do those changes in construction have upon the cost of production? A. It costs money to change from one construction to another and the fact that a mill has to make a lot of changes raises their cost on even their staple items because they have to maintain extra personnel to take care of these changes. You will notice that in 1955 the mill made 13 other styles and in 1956 14 styles in addition to those listed above.

Trial Examiner: Where does that appear?

Mr. Updike: At the very bottom of the column.

The Witness: And this, in spite of the fact that in 1956, in attempting to find markets for Darlington's products, they were running the largest number of styles of any year and one of the styles, the 109x46 poplin which they started [781] running for the first time——

Q. Which number is that? A. Number 17—was sold to two customers for Bermuda shorts and other sports wear and these two customers were Cone and Lowenstein and they advised us that they could no longer purchase this fabric in the 40 inch width because they had found that they could made cutting savings by buying the same fabric 44 inches in width from our competitors and thus we were faced with the fact of a declining business on the only staple that had gone through the last five years, namely the 99x44 poplin, the 109x58 broadcloth.

Q. Will you please refer to them by the numbers on Company's Exhibit 13? It's harder for us to follow. A. Number 1 on Company's Exhibit 13, then the staple, Number 14 on the list, namely the 109x58 broadcloth which had

been developed was petering out because of the changing technology which permitted the making of embossed fabrics on standard 80 squares and the other larger item that the mill sold in nine months of 1956 was a poplin that we could no longer make sales ahead on because of the fact that our customers refused to buy the 40 inch goods which Darlington was at that time limited to making.

Q. Now, what was the position in 1956 of Darlington with respect to the Fancies business which it had been doing in [782] '51? A. The fancy business had almost entirely disappeared and therefore the mill was faced with the question as to whether they could find any other fabric on which they could sell goods and the only fabrics that we believed could be sold that the mill could make were the standard low count broadcloth, the 100x60's, the 100x58's, and the 80 squares which are made in tremendous volume in the larger size print cloth mills in the industries that had costs considerably below Darlington's.

Q. Now, Mr. Milliken, while these technological and other changes that you have referred to were going forward at Darlington, were there developments also occurring in the direction of imports such as from Japan? Wait a minute—— A. Yes, there were.

Q. Now, will you please state to the Examiner the basis for your knowledge, if you have it, or information concerning these facts and the extent to which those facts were known to and shared among the directors of the Darlington Company? A. The threat of Japanese textile competition to the American textile mills has been well publicized. It was a matter of great concern to me and I was one of a number of men in the textile industry who went to Washington on several occasions to try and seek a remedy from our Govern- [783] ment to this import problem.

The problem consisted mainly of the fact that during the war the Japanese textile industry——

Q. Are you referring to the so-called Korean War? A. I was talking of the second World War. The Japanese textile industry had been reduced to where they had a million and a half spindles ready for operation at the end of the war. At the end of last year, if my memory serves me correctly, they had in place almost eight million spindles which were all of new construction with all the auxiliary cards, drawing, roving frames and looms together with them.

Mr. Dyer: When you say last year, you are referring to '56 or '55?

A. The end of '55, I think that was. It can therefore be said that the average age of the machinery in the Japanese textile industry was much less than the average age of the machinery in the American textile industry. The average wage paid to the Japanese textile operator was thirteen and a half cents an hour so that they had as modern, if not more modern, machinery than we have which they had bought at cost averaging approximately 50% of the amount that American mills paid for similar machinery. They had very splendid modern mills which were very efficiently operated.

Most of the employees were young women between the ages of 16 and 22 who lived in barracks trying to accumulate [784] a small amount of dowry to make them attractive wives. The situation was compounded by the fact that in the Spring of 1956 the American Government recognized the fact that because of the price support program in existence on American cotton, the American cotton farmer was losing his traditional share of the export market because the same quality of cotton was being grown in in-

creasing quantities in Mexico and Brazil and was then selling in the world market at approximately eight to ten cents a pound cheaper than the American cotton could be sold for.

Q. (By Mr. Updike) You mean could be sold to Darlington, for example? A. Anywhere.

Q. Including Darlington? A. Including Darlington, and Darlington was unable to buy the Mexican or Brazilian cotton because there was a United States quota of 19,000 bales on the amount of this cotton that could be imported into this country. Recognizing this loss, the cotton farmer had sustained, the Government decided to subsidize the sale of American cotton to foreign buyers to a point where it was competitive with the world market and this meant that the American Government out of Darlington's and other textile mills' taxes was paying ten cents a pound to the farmers so that he could sell cotton for ten cents less than we were able to buy it to Japanese [785] mills and parenthetically may I say that ten cents a pound represents 25% of the cost of our raw material and in turn the cost of our raw material is slightly more than 50% of our total cost, so the Japanese textile mills were buying American cotton, subsidized by American Government at a cheaper price than Darlington could buy it for, were spending it on the most modern equipment, paying thirteen and a half cents wages and then shipping the fabrics back into the United States at an ever increasing rate and may I say that it cost no more to ship cotton by water from Texas to Japan than it does to ship it by rail from Texas to Darlington, so that——

* * *

[786] Q. (By Mr. Updike) Were the imports from Japan and their effects on the American cotton textile busi-

ness the subject of discussions between you and Mr. Oeland? Were they the subject of any discussions of references at the directors meeting on September 12 or thereabouts, or at the stockholders meeting of the 17th? A. Yes, they were, Mr. Updike.

> Trial Examiner: As with respect to the discussions between this witness and Mr. Oeland, when were those?

* * *

[787] A. Starting in the Fall of 1955 and continuing up and through the stockholders meeting on October 17.

Q. (By Mr. Updike) Was the effect of the Japanese importation referred to? State whether or not it was referred to in the Directors meeting on the 12th? A. It was, Mr. Updike.

Q. You don't have to say what was said. It's a question of whether it was referred to as a factor—— A. Yes, sir.

* * *

> [792] Mr. Updike: Mr. Milliken now has the particulars with regard to this, so, Mr. Milliken, I ask you whether on Company's Exhibit 10, and drawing particularly your attention to the two figures in the lower right hand corner of the exhibit, $557,000.00 and $722,000.00, respectively, whether the latter figure includes the cost of the 84 new 50 inch looms?

A. The latter figure of $722,000.00 does include the 84 50-inch X-2 looms.

Q. What portion of the $722,000.00 is represented by the cost of the looms? A. $122,600.00.

Q. Likewise, you were asked on questions with respect to the replacing of spindling. A. Filling spindles.

Q. Can you now give us the answer to the question Mr. Dyer asked about filling spindles? A. New filling spindles were put in to replace obsolete spindles at a cost of $37,000 over a period of two years, 1954, 1955.

* * *

[793] cloth from Japan and from other countries. Was there any factor present in, say, September of 1956 with respect to the export market from the United States for textiles? A. Yes, sir, there was.

Q. What, in substance, was that? A. In the same way that the Japanese, with their low cost and new machinery, were able to come into the American market and undersell us, they were able to invade foreign markets into which the United States normally exported cotton textiles and taking advantage of these two items, of course, plus the fact which I mentioned previously, that they were able to buy their cotton 25% cheaper than we were able to do so.

Q. Than Darlington was able to do? A. Than Darlington was able to do. The American textile trade was losing its share of the export markets to Japan so that we were facing a crossfire of the Japanese textiles coming into the United States and Japanese textiles being sold into our foreign markets where we were losing, as an industry, what we had been used to having as a market.

Q. As a corollary of that, would goods that had been formerly going into the foreign market, have to find [794] their outlet in this country, if they found any? A. If possible.

* * *

[796] Q. Now, Mr. Milliken, so that the record may be clear, was this factor of the number of failing mills year by year, the information that you had in that regard, a subject of discussion at the Directors meeting on September 12? A. That is correct, Mr. Updike.

* * *

[801] Q. (By Mr. Updike) Mr. Milliken, using this material or any other to refresh your recollection, will you place on the record your belief with respect—the belief you held with respect to the cotton spindle attrition and mill failures, approximately, in September of 1956? A. Mr. Updike, the cotton textile industry had been going through a period of liquidation of this number of spindles existing in the industry and a spindle is the commonly accepted method by which the size of a particular mill is judged. The recent years following the abnormal demand created by the Korean War saw a sharp increase in the amount of this attrition and I believe that in the twelve months prior to June the four hundred thousand spindles or approximately nine mills the size of Darlington were forced to close their doors.

Q. That's the twelve months period ending June 30, 1956? A. Right, and the number of mill closings as reported during 1956 in the daily press was greater than [802] at any other time in my experience.

* * *

[806] you have the document itself identified in the record, "The rate of mill closings reached a post-war peak in 1954 when 94 plants (exclusive of knitting and small dyeing and finishing plants) went

out of busines, stranding over 35,000 workers. Additional closings in 1955 brought the two year total to 195 mills and 55,000 workers. The woolen and worsted division bore the brunt of the distress as 78 mills, employing 29,000 workers were closed. In the cotton rayon branch liquidations affected 84 plants and 23,000 workers. Some 33 dyeing and finishing plants were also closed."

Trial Examiner: What were those figures, cotton-rayon——

Mr. Updike: Liquidation affected 84 plants and 23,000 workers. Some 33 dyeing and finishing plants were also closed—"throwing 3,000 workers out of their jobs." Mr. Milliken, did I understand your testimony to be that as you understood the facts, the rate of mill failures was even greater in 1956 than in either '55 or '54?

[807] A. That is correct.

Mr. Zimny: Excuse me, what was that last statement that the rate of mill closings was greater in '56 than either '54 or '55?

The Witness: Yes, sir, definitely.

* * *

[809] The Witness: At this meeting in September the matter of what goods would be sold, could be sold, by the mill in the future was discussed and in that connection it was brought out that because of the loss of our traditional market we, the Darlington Manufacturing Company, was going to have to manufacture standard print cloth constructions

and a discussion of the prices prevailing on standard print cloth constructions, which is the component part of this chart, were discussed.

* * *

[811] Q. (By Mr. Updike) Were these mill margins the subject of discussion at the Board meeting? A. Mr. Updike, the prices governing——

Q. The prices then? A. —print cloths were, and in this connection may I say that there is a very standard relationship existing between the selling prices of different print cloth con-[812]structions because a print cloth mill can shift from one print cloth construction to another if a slight premium develops on a certain print cloth construction. The mill tends to increase their looms on that particular construction until the price is equalized. Generally, it is overdone on the price if that particular construction sells at the slightest discount over the average so that in answer to your question the prices of print cloth at which they could then be sold in the market for forward selling to get orders for Darlington was before the Directors.

Q. And was discussed? A. And discussed.

Q. Now, do I understand that mill margins, as such, were not discussed? A. The margin of profit that Darlington could expect to get by selling print cloths at the prices then existing in the markets with our cost of manufacturing was discussed because an analysis of those figures showed that to sell cloth in the constructions in which they could be sold and operate would have meant a substantial operating loss for the months ahead.

* * *

[818] Now, I would like you to state to the Examiner what was the source of the statistical information that was before

the Board, if there was any, in September of 1956 with regard to the prices of goods in the print cloth field. A. Mr. Updike, the Daily News Record carries almost every day a list of market quotations on standard constructions of textiles much the way other groups carry stock exchange quotations daily. This information is read by me daily as I read the Daily News Record and is read by those in the [819] selling organization which sold Darlington Manufacturing Company's goods and, of course, was read by Mr. Oeland. We were, therefore, completely familiar with the serious downward trend of print cloth prices that had taken place since January.

Q. Now, just from your memory, Mr. Milliken, will you tell the Examiner about what had been the course of prices from January of 1956 through, let's say, August of 1956 in that regard? A. There had been a reduction of approximately six cents a pound in the price that print cloth constructions brought in the market over what they had brought in January and there had been no corresponding decrease in the price that mills had to pay for their cotton nor for their manufacturing cost so that the sole factor affecting profit margins, or lack of profit margins, was the decline in the selling price.

* * *

[820] Q. Again referring back to the meeting in September, 1956, I believe you stated that the drop in price was approximately six cents a pound. Will you tell us whether that was a sudden drop or a gradual drop or whatever your memory of it may be? A. My memory of it, that it was a steady drop, perhaps a cent a pound a month for the first six months of 1956.

Q. Now, can you convert for the Examiner the effect on the gross income of Darlington of a drop of one cent per pound over Darlington's annual output? A. Darlington's output in pounds, I believe, in 1955 was [821] 7,900,000 pounds, roughly eight million pounds a year. Hence, a one cent a pound decline that the mill received for the products without a corresponding decline in their manufacturing cost or the price which they had to pay for cotton meant a difference of $80,000.00 a year.

Trial Examiner: That output was for what period?

The Witness: A year.

Trial Examiner: No, the 7,900,000?

The Witness: A year.

Trial Examiner: Which year?

The Witness: 1955, the last complete year, and it was running at that rate, Mr. Examiner, during 1956.

Mr. Updike: So, Mr. Milliken, to be specific, if the drop in the market price from January 1956 to, let us say, April of 1956 was three cents per pound on Darlington's annual output, if that drop were extended over a full twelve months period, the decrease in gross to Darlington would be——

A. $240,000 a year.

Q. (By Mr. Updike) Now, then, referring specifically to the prices obtaining in September of 1956, I believe you testified the drop from January was about six cents? A. That is right.

Q. Now, will you tell the Examiner the effect that had, that decrease in price had in attempting to prophesy the future of Darlington at the Board meeting in September

1956? [822] A. The prices of print cloths, the market prices of print cloth at that time when we met showed us a loss of approximately three cents a pound, so that we were faced if prices were maintained at that level and we saw no reason to believe that anything but an additional downward trend would occur, the mill would have been facing an annual loss of $240,000.

Q. Now, Mr. Milliken, will you tell the Examiner, starting with the time when you were advised of the results of the election at Darlington, what you then did? About when did you hear first of all? A. It was my recollection that on Friday morning, both Jim Oeland and Pete Poag called me up and told me that the Union had won an election at Darlington.

> Mr. Zimny: Mr. Updike, do we have that Friday morning identified by date of the month?
>
> Mr. Updike: Well, now, I'll try to do that. Subject to correction, it is my recollection that the election was held on the 6th of September, that the 6th of September fell on a Thursday. All right, Counsel have agreed on that, so that Friday morning with which your testimony just dealt was the morning following that day?

A. The 7th of September.

Q. Will you please continue? A. When Mr. Poag called me, I asked him if he would come over to my office to meet with me. You'll remember that when [823] Jim Oeland called me and told me that the Union was starting an organizing drive in Darlington, I called up Pete Poag and asked him if he would go down to Darlington and advise with Mr. Oeland during the course of the campaign on the legal aspects of the organizing drive.

* * *

Q. (By Mr. Updike) About when was that? A. In the Spring, I believe in May when, whatever date it was that Jim Oeland first called me to advise me which was my first knowledge of an organizing attempt being made and I asked Mr. Poag if he would spend time down there.

Q. Are we in May or April or back in September? A. We are in May.

Q. April or May, very good. A. Which he did, and he had spent the day of the election and other time, about the time of the election, at Darlington. So I asked him to come over and discuss the situation with me. I asked him why it was——

Mr. Zimny: Was that after the election?

A. This is now on September 7, Friday.

[824] Q. (By Mr. Updike) Has Mr. Poag come to see you or is this still on the telephone? A. I asked him if he would come to see me, which he did, came to my office in Spartanburg.

Trial Examiner: Same day?

A. Same day. I asked him why he thought the Union had won the election. He told me that he believed that the fact that the mill was entering into a program of work assignment changes in line with the installation of new machinery there had developed a resistance which had been built up by the organizers during the course of the campaign and that he felt that there was a great resistance in the minds of the people who had voted for the Union which would mean that they would not cooperate with the installation of work assignments with the new machinery. He also told me that he believed that the promises made in the literature that they handed out which he reviewed with me underlined

the fact that this assignment of engineered work jobs which the Union called the stretch-out was the thing that seemed to be the biggest thing in their mind, and second to that was the emphasis placed in these releases that they had given out and which we reviewed which had to do with wages. I knew——

* * *

[829] A. I talked some more with Mr. Poag and referred to the discussions I had had with Mr. Oeland when we met to review the progress that Darlington had made in reducing their costs and pointed out that Mr. Oeland had constantly referred to a small group of people, perhaps 25% of the operators, who had resisted carrying out work assignment changes and doing their jobs of cleaning and quality as instructed by the management and I asked Mr. Poag if he didn't believe that the fact that the Union had won an election where they had pitched so much of their emphasis on a resistance to what they called the stretch-out, whether this didn't mean that a minority that Mr. Jim Oeland had talked with me about had become a majority and that could we not in the future expect additional resistance over and above that which we had experienced in the past and which had caused us so much trouble in trying to make our cost competitive. He said he felt that was true and that was the conclusion that had to be drawn from this election that had taken place. So following that, I reviewed in my mind the economic factors as I knew them as they affected the future possibilities of making a profit at Darlington, taking in mind the matters that we have discussed this morning, the fact that the mill had lost its traditional market and that the only way we were going to be able to secure orders for the future was to go into the standard print cloth construction where the [830] competition was most

severe; the fact that the imports of Japanese textiles and the loss of our textile export market were adverse factors affecting the general field of textiles and therefore Darlington, as a member of that industry; the fact that mills like Darlington were closing down at an accelerated rate because they, too, were unable to make a profit in these conditions; that in looking ahead at the present prices that print cloths were bringing in the market and knowing our costs, that we were faced with an approximate loss for the ensuing year, if conditions did not change in the market, of $250,000 and I saw nothing that would lead me to believe that conditions would improve as to the selling prices that could be obtained for print cloths.

I reviewed the fact that if Darlington were to continue in business, we would have to air condition the mill. This involved an expenditure of $800,000 to the buildings, which investment could not possibly have been sold at anywhere near the price at which it would take to install it, plus the fact——

Q. (By Mr. Updike) In other words, the cost of installation? A. The cost of installation.

Q. Plus the—Perhaps I could shorten this by asking you in speaking generally did you review the factors to which you have testified before Mr. Buchanan up to now? [831] A. That is right, Mr. Updike.

Q. Then what did you do? A. Then I felt that the—that all of these factors were so adverse that it seemed to me that I sould get in touch with the other Directors and ask them what they thought and to suggest that a meeting of the full Board of Directors be held at the earliest possible opportunity for a review by all of the Directors of these factors, and so I called Mr. Kingsley in New York and he reviewed these considerations—I reviewed these con-

siderations with him and he agreed that we ought to have a Directors meeting. I did the same with Mr. Hatch and Mr. Minot Milliken. In the course of my discussions with Mr. Kingsley, he told me that he would not be able to get to Spartanburg on the following week because of other commitments that he was working on and that not only would prevent him from coming then, but because he was having to visit South America on a matter of business frequently by airplane that he felt he would not be available if following meetings were held and he ought to offer his resignation. And in discussing this, it was suggested that Gerrish Milliken, my brother, might properly—his name might properly be presented before the Board as a replacement to Mr. Kingsley. So I discussed the matter with Gerrish Milliken and all of these men agreed it was important to hold a Directors meeting at the earliest [832] possible opportunity and I think that because of securing air, train accommodations, and so forth, we thought the following Wednesday, September 12, would be a good day if it was satisfactory to the Directors in Darlington.

Q. Those two being whom? A. Three, being Jim Oeland, Mr. Shep Nicholson and Mr. Lyles, and so I called Jim Oeland on Monday morning and asked him if he could check with the other two Darlington Directors to see if a time of meeting in Spartanburg on Wednesday would be agreeable, and he said he would check around and he subsequently called back and advised that it would be and pursuant to that, we come up to the day when the Directors met in Spartanburg.

* * *

[833] Q. I haven't come to the meeting itself. Was there any discussion prior to the Directors meeting with respect to the length of notice if it was to be any stockholders' meeting, of such a meeting? A. I think it was Mr.

Hatch that pointed out that this, of course, was a matter that would have to be decided eventually by the stockholders and I checked with Mr. Poag and he advised that under the laws of South Carolina a stockholders' meeting, considering a matter of liquidation of the sale of the major assets of a business, had to be held after having given, prior to that, thirty days notice, and if I remember correctly, that notice had to be published in a local newspaper as an advertisement.

Trial Examiner: Is this that you just told us about before the meeting of September 12?

The Witness: Yes, sir.

* * *

Q. (By Mr. Updike) All right, now. The Directors meeting of September 12 itself was held in Spartanburg? A. That is correct.

Q. All right now. Will you kindly tell us the substance of what took place there? A. As I remember it, the train from New York was an hour [834] and a half late——

Q. Who arrived on the train from New York when they arrived? A. On the train from New York there were Mr. Hatch, Mr. Minot Milliken and Mr. Gerrish Milliken, and because the meeting had been set up for 10:30 when the train had been expected to discharge these passengers if it had been on time, the Directors from Darlington were there and we had an opportunity to discuss these matters at great detail prior to the arrival of the other Directors. Then, when the other Directors came and we gathered together, we once again reviewed the pertinent facts and the conclusion of the group was that——

Q. Well, now, be a little more specific.

Trial Examiner: Was Kingsley at that meeting?

The Witness: No, sir, he was not.

Trial Examiner: Minot Milliken was there, even though he said he would not be able to attend?

The Witness: No, it was Mr. Kingsley who said he couldn't come.

Q. (By Mr. Updike) That's what I wanted to bring out. Was Mr. Kingsley's resignation tendered to the meeting? A. That was the first official order of business and the election of a successor was the second.

Q. Mr. Gerrish Milliken? [835] A. Right.

Q. He was your brother? A. That is correct.

Q. Was he also a stockholder in Darlington? A. Yes, he was.

Q. Now, just give us as best you can, the discussion as it proceeded at the meeting, following the election of Mr. Gerrish Milliken as a substitute Director. A. As I remember it, the first thing that was discussed was the present financial condition of Darlington and I think Jim Oeland was asked what his estimate was at that time for the results of the year which we were then in and which would end on December 3, the first Sunday nearest to November 30 of that year——

* * *

A. Better bookkeeping cut-off—and he, as I remember, advised that his projections, based on the sale price of the goods, was that the Darlington Manufacturing Company would show a loss of 40,000, the first loss since the 1930's. We then discussed the future prospect for an ensuing year [836] along with the line I have outlined here, based on print cloth prices that were then prevailing and our cost, and one by one took up the other items that affected the

general market conditions, and then we turned our attention to our costs at the mill and a discussion of any possibilities that might exist of our achieving lower costs and at that point Mr. Oeland emphasized the fact that he felt that we would be facing an increased amount of lack of cooperation and that where he had hoped that this minority would gradually become smaller and that that was the reason that he had believed there was a chance of experimental program of new machinery work, it had not worked out and he felt the chances of it working successfully in the future looked dimmer than they had been.

Q. Was there any specific reference to the Union literature that has been marked Company's Exhibit 1 through 5? A. I cited quotations from that with which he was familiar and with which I was familiar and which I think Mr. Lyles and Mr. Nicholson were familiar, to support this point of view.

Q. All right, now, in addition to the report from Mr. Oeland, was there discussion around the Board, and if so just give us the substance of it, please? A. I believe Mr. Hatch inquired as to what would be the case if the mill continued to operate even though at a loss, [837] and what would be involved over the next four or five years as to expenditures, capital expenditures, and it was in answer to that that I brought out the fact about the cost of air-conditioning the mill and the fact that there seemed to be a strong trend towards wider goods which would have necessitated the purchase of additional high speed looms and this presented the problem——

* * *

[838] Q. (By Mr. Updike) I distinguished between his remembering [839] that they did say something and his

being unable to remember now what they said. My question here is did Mr. Nicholson participate to some extent, even though you can't remember, what it was? A. I think Mr. Nicholson made the point that when he had been Treasurer of Darlington it had been necessary for him to style the mill around a fancy line of goods because the costs were too high to be possible to compete on the standard print cloth constructions and that if it were true as reported, that we had lost those traditional customers, that from his experience with the mill, Darlington had no economic future competing on the standard items that he had to style away from when he was Treasurer.

Q. All right, now, how did the meeting finally end up? In other words, tell us the rest of what took place and the substance of it? A. A motion was presented to the meeting authorizing the calling of a special meeting of stockholders and in this connection Mr. Oeland, Mr. Poag, who was present as legal counsel, advised that there would have to be public notice of this. Mr. Oeland advised that the Darlington paper was a weekly and that it went to press at 4:00 o'clock that afternoon, I believe, or somewhat earlier, and it was decided to ask him to call the paper and give a notice of the call of the stockholders' meeting to the paper and the [840] officers were authorized to prepare and issue, with Counsel, a proper and legal call for a stockholders' meeting to be held on the 17th of October at which time they could decide whether they wished to accept——

Q. You mean the stockholders? A. —the recommendation of the Directors, that they vote to liquidate, they vote to sell the assets of the mill and enter into an orderly legal liquidation.

Q. Well, was there any discussion about the operation of the mill itself in the meanwhile? A. Mr. Oeland asked

what were the Directors' wishes with reference to procedure by him in the period that would lie between the Directors' meeting and the stockholders' meeting and the Directors advised that because the mill was operating, the prices then prevailing in the market represented a loss to the mill, that, and in view of the fact that he had a backlog of orders sufficient to carry him through this period, operating six days a week, three shifts in the weave room, that he should not ask his selling agency to procure for him any additional orders and that he should run the weave room, run the operations as it had been running for this period. It was in connection with that that he advised that in anticipation of the installation of the 84 new 50 inch looms he had built up an inventory of warp yarn on section beams so that when the looms were installed, there [841] would be that additional warp yarn on hand with which to warp up those looms and he felt that—he recommended that this inventory that had been built up, that that should be used in running the weave room because to make additional yarn at a time when it would have to be subsequently sold at a loss was not in the best interests of the stockholders.

Also at that meeting the Directors asked me, as President, to contact Counsel with reference to having a legal motion that could be adopted by the stockholders if they decided on liquidation which would be the official legal language necessary to comply with federal statutes concerning liquidations and the tax implications that go with it. They also asked me——

Trial Examiner: Who asked you?
The Witness: The Directors.

Q. (By Mr. Updike) Can you remember specifically who? A. I think it was Minot Milliken asked me if I

oughtn't to have read for the stockholders' meeting a proposed plan of sale of the assets should the stockholders adopt the Directors' recommendation to sell the physical assets of the plant.

Q. Now, was there any discussion of acquisition of further raw materials or operations? A. I think I asked Mr. Oeland if we had enough raw material on hand to take care of our production for the time between [842] the Directors' meeting and the stockholders' meeting and he said that he had and I said that I thought that we ought not to make any further commitments until the stockholders had met and made their decision and that also he ought to contact our suppliers of machinery repair parts and other supplies and to the extent possible hold up the orders without canceling them until such time as the stockholders met and their wishes made known.

* * *

[845] Q. (By Mr. Updike) Now, at the conclusion, at the time when the Board meeting reached its decision, can you tell us whether or not the decision was unanimous or whether there were dissents? A. The decision was unanimous, Mr. Updike.

[846] Q. And all of the Directors of Darlington were present? A. All of the Directors of Darlington were present.

Trial Examiner: When you speak of the decision, you mean the decision to recommend liquidation?

Mr. Updike: Yes, sir.

The Witness: Yes, sir.

Q. (By Mr. Updike) Now, between September 12 and October 17, I think you have testified that October 17 was

the date set for the call of the stockholders' meeting; is that in the record?

Trial Examiner: I believe so, testified earlier.
Mr. Updike: I think he did, yes.

Q. (By Mr. Updike) Between those two dates, Mr. Milliken, what developments, in general, occurred? A. During that period the J. P. Stevens Company announced a wage increase to the mills in its company of ten cents an hour and this increase in wages was adopted as a pattern by practically all of the mills in the textile industry. One cent an hour wage increase represented $12,000 a year additional cost to the Darlington Manufacturing Company, hence a ten cent an hour wage increase would have meant additional cost to the Darlington Manufacturing Company of $120,000 a year. Because the mill was operating at a loss, Mr. Oeland and I felt that it would not be protecting the best interests of the stockholders to put in the wage [847] increase at that time while a matter of liquidation was in the process of being brought before them.

* * *

[849] A. I believe that there were 217 stockholders.

Q. And in terms of their geographical location, where were they? A. I think the greatest number were in South Carolina, almost one hundred; that there were then approximately fifty in New York State and the others were scattered over the rest of the United States and I believe that there was one in [850] Scotland.

Trial Examiner: Did you say there were 217?
The Witness: Yes, sir.
Trial Examiner: In all?
The Witness: In all, 100 in South Carolina.

Trial Examiner: You are not giving us the figures of those who attended, are you?

Mr. Updike: I think they are in, sir, are they not?

Trial Examiner: I believe so, Union's Exhibit 2.

Mr. Updike: Yes, sir.

Trial Examiner: It's in evidence. I asked, I haven't seen the exhibit.

Q. (By Mr. Updike) Now, Mr. Milliken, speaking generally, what did happen at that stockholders' meeting? A. At the opening of the meeting a canvass was conducted to see if there was a quorum present and it was determined that there was a quorum present. As I remember it, I opened the meeting by bringing before it the recommendation of the Board of Directors which had been unanimous and then commented in general on the factors that had led them to recommend this procedure, summarizing what we have discussed here before and at that point asked for any questions.

Q. And were there any questions? A. Mr. Mozingo was present at the meeting, holding a proxy that he had obtained that morning and he got up and made a [851] statement from notes and in that statement he said that he felt that this was a very unfortunate thing that was happening in Darlington, that he felt that the management of the mill was to blame for what had happened. He felt that this was the beginning of labor-management strife in South Carolina and he hated to see it happening, but that he felt he would be forced to go out and proclaim publicly that there existed this strife between labor and management and that in his opinion, labor was right and management was wrong. He said that he had understood that the reason the mill

was going to be liquidated, because I wanted to buy the machinery and take it to set up a mill in Venezuela. He made a few other remarks about having tried to secure personally some stock, but not having been able to do so, and I think that that was the sum total of his remarks.

Q. All right, now, who else, if anyone, spoke at the stockholders' meeting? A. As I remember it, Mr. Henry Simpson who had an important ownership either individually or through other companies of which he was the principal, got up and spoke and announced that he was going to vote his stock in favor of the Directors' recommendation to liquidate.

Q. Was Mr. Simpson a gentleman who had given Mr. Mozingo the proxy to appear at the meeting, to be present at the stockholders' meeting? [852] A. As I said, Mr. Simpson owned a number of companies, each——

Q. My question is was Mr. Simpson—— A. —One of his companies gave Mr. Mozingo and he was the person that gave it to him that morning.

Q. Now, Mr. Mozingo has testified here and one of the things to which he has testified is that after the meeting, the stockholders' meeting, was over you had a conference with him and Mr. Buchanan, the Mayor of Darlington, outside of the stockholders' meeting room. Was there a conversation at that time with Mr. Mozingo? A. There was, Mr. Updike.

Q. And will you state the substance of it, please? A. At the stockholders' meeting Mr. Buchanan and Mr. Mozingo were sitting side by side and were conferring together. As soon as the meeting was over I asked Mr. Mozingo and Mr. Buchanan if I could talk with them for a few moments and they said they would be glad to do so, and so I took

them around the corner where we stood up and had a conversation. During this conversation I said to Mr. Mozingo and Mr. Buchanan that I appreciated the fact that he was in politics and had to take certain positions because he was in politics, but that I also believed that he was interested in the best interests of Darlington as a community and specifically of the people who had been employed [853] by the Darlington Manufacturing Company, whose employment was now in jeopardy because of the stockholders' decision to vote for liquidation. I told him that—I told them that I thought it was terribly important to Darlington and for these workers that no publicity of an adverse nature be given out at a time when the management would be trying to secure bidders for the entire property which we would be trying to do in the month that had ensued, and as Mr. Buchanan, Mr. Mozingo had said in the stockholders' meeting, that he felt it was his duty to go out and place his thinking on labor-management strife in Darlington on the public record and that, to me, meant the newspapers. I told him that I felt that that could be a very serious, adverse influence in attracting any other manufacturer to come in and buy the Darlington Manufacturing Company as a going concern, and I further told him that if, by virtue of the action of the stockholders in voting to liquidate because of the seriousness of the economic factors affecting Darlington, if a knowledge of that could become known to the employees who had been resisting management's attempts to be competitive, and if they took those facts to heart and cooperated and were willing to cooperate, another firm might come in, buy the assets, and that would be the best thing that could possibly happen to Darlington.

* * *

[854] Q. (By Mr. Updike) Mr. Milliken, were you present at the hearing last week when various of the Darlington employees testified here in the court room? A. Yes, sir, I was.

Q. With particular reference to statements which had been attributed to overseers at the plant as quoting you, I ask you, sir, whether you ever stated to Mr. Oeland or to the overseers that you would never work the Darlington plant with a Union in it? A. No, sir, I did not.

Q. Did you ever say any words to that effect, in substance?

Mr. Dyer: Objection, sir. That calls for a conclusion.

Trial Examiner: Overruled.

The Witness: I did not.

* * *

Cross Examination

Q. (By Mr. Dyer) Mr. Milliken, I believe you testified earlier that you own some 7100 shares of the Darlington Manufacturing Company? A. At the time of the stockholders' meeting, yes, sir.

Q. And as the President of the Darlington Manufacturing Company you automatically held the position of Chairman of the Board, is that correct? [855] A. By that, you mean did I preside at the meetings? The answer is yes, sir.

Q. Mr. Milliken, you also have a number of other textile interests, do you not? A. I do.

Q. And among them you are President of the Selling Agent of the Darlington Manufacturing Company? A. Yes, I am.

Q. Now, the Selling Agent, Deering, Milliken, owns a considerable amount of shares in Darlington, too, do they not? A. Yes, sir.

Q. I think it's in the record somewhere. It's approximately 41% of the shares, is that approximately right? A. That's approximately right, which they received in view of a debt when the mill went in bankruptcy.

Q. Off-hand, that amounts to 61,500 shares? A. I believe that's correct.

Q. Mr. Milliken, at the stockholders' meeting of October 17, there were approximately 138,000 shares represented, is that approximately right? A. I think it was 93%, if that's the same.

Trial Examiner: What was the total amount of stock?

The Witness: 150,000 shares.

Q. (By Mr. Dyer) So, actually, of the approximate 138,000 [856] shares present there—Let me ask you this, Mr. Milliken, I think one of your positions is President of Deering, Milliken, is it not? A. That is correct.

Q. And in that capacity you were authorized to vote the shares held by Deering Milliken Company? A. In this instance the Directors of the Deering Milliken Company met and the Treasurer of Deering Milliken Company executed a proxy which I voted at this meeting.

Q. In other words, you voted the shares for Deering Milliken Company? A. After I was made the proxy of Deering Milliken by action of the Board of Deering Milliken and Company.

Q. Well, Mr. Milliken, in all the history of Darlington Manufacturing Company haven't you always voted the

shares as long as you have been in position as President of Deering Milliken? A. As proxy.

Q. Is that true? A. I think it is, yes, sir.

Trial Examiner: What percentage of the Deering Milliken stock do you own?

The Witness: Of the stock of Deering Milliken?

Trial Examiner: Yes.

The Witness: Some of it is held by—in trusts for [857] my children and others. To answer, my immediate family own approximately 20% of the stock of Deering Milliken personally, my family and my children.

Q. (By Mr. Dyer) Mr. Milliken, then at the time of the stockholders' meeting in October, just of the stock that you owned and of the stock you held from proxy from Deering Milliken, you had approximately 50% of the voting shares at that time, did you not, of the shares present? A. You say Deering Milliken owned 40%?

Q. 41%? A. 41%, and I owned 7100, which would be approximately not quite 5%, that would have meant about 46% between Deering Milliken Company proxy that I was voting and my own ownership, approximately 46%.

Q. You said it was about 92 or 93% of the stock present, is that right? A. I think that's correct.

Q. So you had just about half the stock there in the person of yourself and in the person of Deering Milliken, is that right? A. As the stock representative. It is my understanding that it takes more than a majority of all the stock to vote on the matter of liquidation.

Q. That was my next question. How much does it actually take? [858] A. It is my understanding that it takes a majority of all the stock outstanding.

* * *

Q. Mr. Milliken, do you know what the average share for Deering Milliken has sold for in the past three or four years?

Mr. Updike: Darlington, you mean.

Mr. Dyer: Darlington, pardon me.

The Witness: About fourteen and a half dollars a share.

* * *

[860] Q. (By Mr. Dyer) Mr. Milliken, in 1951 there was a dividend of $1.50; 1952, .60¢; 1953, $1.00; 1954, '55, .60¢? A. That is correct.

Q. Well, then, on what an investor would pay for your stock, approximately $14.00, in each of those years, he did better than 4½% of return on his money, did he not? A. If that is mathematically correct, that is right.

* * *

[863] Mr. Zimny: May we have the record reflect the fact that the witness is now inspecting the Darlington Manufacturing Company's balance sheet through November 30, 1952.

* * *

[864] Q. I notice that the 1955 balance sheet has the total current assets $2,584,571.26, an increase of about $900,000 over 1952 in assets and I also note that the earned surplus is at a figure of $2,962,462.66, or some $300,000 more than the earned surplus in 1952? [865] A. Yes, sir, and I understand the reason for your puzzlement which I share. In 1954 the earned surplus has jumped on these order statements some $275,000 over what it was on November 30,

1953 and yet the 1954 balance sheet shows a net profit of $73,000 with dividends paid out of $90,000 so that, actually, there was a cash outgo and yet for some reason its earned surplus balance is higher and it must be due to some kind of a bookkeeping transfer of assets that had previously been reserved for somewhere else on the balance sheet and I am not enough of an auditor, I don't know enough as to how to find out where that came from.

Q. Mr. Milliken, just taking two other figures I note here, the total assets of the Company as shown at the bottom of the balance sheet between 1952, 1955, there's a difference of some $400,000, 1955 over 1952. A. I think it's all in this and you are talking about now the capital stock and surplus which reads $3,762,000?

Q. No, sir, right now I'm talking of the bottom figure on the balance sheet under assets, $3,875,399.00?

Trial Examiner: Which one?

Mr. Dyer: Of 1952.

Trial Examiner: Yes.

Q. (By Mr. Dyer) And the one in 1955, the same figure in the same position, $4,285,131.97? [866] A. I submit, however, Mr. Dyer, that figure at the bottom line is a meaningless figure because if the Company were tomorrow to go out and borrow a million dollars, the figure on the assets side in 1952 would have read $4,875,000 and likewise the figure on the liability side would have read $4,875,000, so the important figure is the next to last figure in the right hand column which is the capital—made up of the capital stock plus the earned surplus since the time of reorganization and that figure has jumped from $3,424,000 to three million——

Trial Examiner: No, $3,425,000, on what statement?

The Witness: On 1952, the next to the last figure.

Trial Examiner: $3,424,768.

The Witness: Up to $3,762,000 on November 27, 1955, which cha. ge took place all in one year, between 1953 and 1954, and could not have been due to profits but was due to some kind of a transfer of a reserve and if I could ask Mr. Oeland if he could try to check this for me, maybe we could explain the reason for it later because that's wherein it lies.

Q. (By Mr. Dyer) In any event——

Trial Examiner: I'm not certain I follow you here. You say the jump between 1953 and 1954, I thought you were speaking of the capital?

The Witness: Wait a minute, no, you are right. The [867] one year 1953, and I was reading off the wrong—I was reading '54 statement. There was a profit of $307,000 reported there with one hundred fifty, and a reduction of provision for Federal Income Taxes that had previously set up of another $110,000 and that's the reason for the increase. Those two items, that profit that year plus the reduction of a provision for reserves for prior years which probably was for the year 1950 or '51 as it generally takes three years before the Treasury Department reviews a statement. That's where it is, Mr. Dyer, I'm sorry.

Q. (By Mr. Dyer) Can we review, Mr. Milliken, the figures on the 1952 balance sheet. The profit was—— A. $53,000.

Q. —$53,000, all right. 1953, the profit was—— A. $307,000.

Q. —$307,000. And dropping to 1954 to $73,000? A. $73,000.

Q. Then increased in 1955 to $122,000? A. That is right.

Q. Mr. Milliken, may I say that this 1956 sheet is a little more time consuming and a little differently set up. It appears that the total assets in 1956 were $4,329,000, approximately $50,000 over the 1955 total assets, is that about right? A. Could I see the 1956?

[868] Trial Examiner: What was that figure?

Mr. Dyer: Total assets, sir, about the middle of the left hand page, $4,300,000.

Trial Examiner: All right.

The Witness: That is correct.

Q. (By Mr. Dyer) That's about $50,000 over the '55 figure for total assets, is that right? A. It is, but I submit that that figure isn't an important figure because it can be changed by borrowing money, paying off debts, or anything else. The important figure again is what your capital stock and surplus figure is.

Q. Yes, sir, but was this figure changed by borrowing money or paying off debts? A. Well, I'll have to check.

Trial Examiner: The question is whether the liabilities increased proportionately or equally.

The Witness: All right, the labilities in this figure, $569,000 as against $522,000, so they went up approximately $50,000.

Q. (By Mr. Dyer) Going to another point, Mr. Milliken, I believe you mentioned you had three conversations with Mr. Oeland regarding the future outlook of the plant.

Those were in February? A. Late January, early February; late April, early May and July.

[869] Q. And the conversation you had with him in July was the last one you had with him concerning the outlook prospect for the mill prior to your decision about liquidating? A. No, I think I had one other conversation with him which was when he first gave me his projection of a loss for the year and I think that that conversation took place in August.

Q. In August? A. Yes, sir.

Q. You didn't mention that conversation to us yesterday. Had you forgotten about that one. A. I think that was a telephone conversation. These other meetings I had with him were personal meetings at which we reviewed specific figures and goals.

Q. When was it that you had the conversation in August, do you remember? A. No, it was approximately, probably the first or second week of August.

Q. And what was Mr. Oeland's statement to you at that time? A. That his projection as he figured it for the balance of the year showed that the Darlington Manufacturing Company would end up with a loss of $40,000.

Q. That's the first time he had told you of that? A. That is correct.

Q. Now, when did you first tell the other Directors about [870] this projected loss? A. When I discussed—talking with them over the phone following my meeting with Mr. Poag on September 7, I found that Mr. Minot Milliken knew of it, Mr. Oeland having told him about it on one of his trips to New York.

* * *

[871] Q. Mr. Milliken, Darlington, in 1952 started to change its essential type of output, did it not? You started — [872] Darlington started shifting from one type of fabric to another in 1952? A. I believe that's right.

Q. That continued right on through 1956? A. All in seeking for a staple fabric on which it could operate from year to year.

Q. You started casting around for these other staples in 1952? A. That is right, as the fancy fabrics that we talked about started to become less important in the market as new fabrics took their place, that is correct.

Q. And actually in 1956 you had reached a couple of fabrics but—taken up production on a couple of new poplins, and on the broadcloth? A. As I remember it, we had taken up production on one new poplin, the one I referred to that Lowenstein and Cone bought and told us they couldn't continue to buy because the width wasn't right.

Q. How long actually had the modernization program at Darlington been in operation? A. We started the modernization program in 1952 and kept building up as we went along in an effort to try and become competitive.

Q. Was part of that modernization also the replacement of obsolescent machinery? A. Part of it was the [873] replacement of—I think that's a fair thing to say, yes, sir.

Q. Some of it was improvement on existing machinery to make it more modern? A. That is right.

Q. So actually at the time you started casting around, you also started this modernization program in order to keep up with the market, is that right? A. To be competitive.

Q. Actually, during the period, say, 1952 to 1956, September, approximately how much was spent on that

modernization program? A. As I remember, approximately $750,000.

Q. $750,000? Now, would that include any replacement of worn out machinery? A. Yes.

Q. Approximately how much would be attributed to that? A. Well, I have in mind the 8x4 roving frames that could be considered to be obsolete for print cloth manufacturing which were replaced by five new roving frames at a cost of $14,000 a frame, I think approximately $70,000, then the mill had spent money buying additional cards and additional spinning in order to try and step up their production so that the same amount of overhead could be distributed over a large number of units and a [874] certain amount of the $750,000 total was spent in this way to increase our basic yarn capacity in order to reduce our overhead and for the same reason these 84 new 50 inch looms were purchases because of two reasons, one being the change in the demand in the market which was building up for wider width goods; the second being the fact that if we were, as we thought, going to have to make the more standard print cloth construction which had a higher number of picks per inch, than the fabrics we were making, it was going to require additional weaving capacity to consume the increased yarn capacity of the mill.

Q. Your 50 inch looms were going to help out on the grade cloth you mentioned? A. That was the poplin, I said.

Q. On the poplin too narrow, these 50 inch looms were designed to take up the wider varieties of cloth? A. It was hoped in that particular fabric or some other, yes, sir. The whole market trend is that way.

* * *

[875] Q. And you mentioned a little while ago that if you put in some new looms you would have to put in new floor space and that was supposed to have cost about $400,000? A. That is correct.

Q. Had you gotten figures on building for such? A. No, sir, because we never seriously considered going ahead with such a program because we didn't feel it was economically justified, but I do know from my experience that new floor space costs approximately $8.00 a square foot in standard mill constructions, and it would have [876] required approximately 50,000 square feet of floor space to house the same number of looms that there were on the second floor in the existing building that would have been replaced by these new high speed looms, so 50,000 times $8.00 a square foot is $400,000.

Trial Examiner: Is that the space that was—that would have been taken of was to be taken under your plans by the 50 looms or the 80 looms you had purchased?

The Witness: No, sir, this was looking ahead to what might have to be spent over the ensuing five years.

Mr. Dyer: Mr. Examiner, as I understand it was contemplated future construction over and above that that was necessary to house these 84 looms.

The Witness: What happened was, at the Directors' meeting I think I testified that Mr. Hatch asked the question "What is the mill facing in terms of additional modernization over the ensuing five years if it is to be competitive with what competing mills are doing in the way of lowering their costs?" It was in answer to that question that I brought out the fact that this, in addition to air-conditioning the

mill, as it was we would have to embark on a program of new and higher speed looms and this would require additional building space on the ground because the second floor couldn't support the speed of the new looms.

Trial Examiner: Was it 80 or 84?

[876] The Witness: 84.

Trial Examiner: 84 new looms? Was additional construction necessary to put those in operation?

The Witness: Yes, sir, and that was in process; a wall was being ready to be torn down, a floor level that had been the floor level of the supply room lowered, and it was going to be adjacent to the existweave room with a concrete floor.

Q. (By Mr. Dyer) Mr. Milliken, you said there was approximately $775,000 spent on modernization. When was the major portion of that money spent? A. I think that the largest amount of it was authorized in the last part of 1955 to come into effect in the balance of the year ending 1956.

Q. In other words, four hundred or five hundred thousand dollars was supposed to be spent in 1956? A. I think it was $250,000 plus the looms, one hundred twenty-two, probably three hundred seventy to four hundred thousand dollars, that is right.

Q. That was all to be spent in 1956? A. It would all have been paid for in 1956. It was all ordered, I believe, with the exception of the looms which was the last item in it, probably July of 1955.

Q. The looms were ordered in the first part of 1956? A. I think they were approved at the Director's meeting [877] in January of that year.

* * *

[878] Q. Mr. Milliken, how long were the Board of Directors in meeting in September, 1956? How long did that meeting take? A. The one on September 12?

Q. Yes, sir. A. I think that the train got in and the meeting started [879] at about 12:00 o'clock and if you will remember I had been with Oeland and Mr. Lyles and Mr. Nicholson since 10:30 when the meeting had been called for originally, and I think that the meeting of the Directors adjourned probably about 1:20, 1:15.

Q. So a little over an hour for the meeting? A. I would say an hour and fifteen minutes, or so.

Q. Do you remember any other business that was discussed at the Board of Directors' meeting besides what you've already testified? A. I think there was a—some action was taken regarding a quarterly dividend which had been paid by the mill after the Treasurer had checked with the Directors either by telephone or letter to see if it would be agreeable to them to make the regular quarterly dividend of fifteen cents a share without calling an official meeting, because it was impossible to get a quorum of the Directors together and I think action was taken at that time formally approving this action that each of the Directors had individually approved prior to that time.

Q. Do you remember anything else that took place? A. Not right now, no, sir.

Q. Do you remember if there was any discussion—— A. Oh, I do remember one other thing. I think that at that meeting the Directors approved what I believe were [880] three amendments to a pension plan in which the salaried personnel of Darlington belonged, such amendments having been recommended by the bank that handled this pension plan.

Q. Sir, was this pension plan just something between Darlington and the bank, or did it include anybody else? A. The pension plan was a plan entered into between an individual, between Darlington as a corporation and the bank, but in order to obtain the best possible pension payment, pension provisions for the expenditure of a given amount of money, the Darlington Manufacturing Company had joined together with other textile companies so that their losses could be actuarily figured with a much larger basis and thus the insuring bank would not have to set aside as large a reserve out of current contributions by the employee and by the company to provide the benefits contemplated.

Q. And these other corporations you speak of, other textile mills in which you had an interest? A. There were other textile mills that had in common the fact that Deering, Milliken and Company was their selling agent.

Q. I see. You say the salaried employees of Darlington. How far down the line did that go, sir? A. Well, it included, as I understand, the supervision through the overseers plus salaried personnel in the office and laboratories.

[881] Q. Second hands, the rank of second hand, would be excluded? A. The second hands were not on a salaried basis.

Q. Everything above second hands and all office clerical, laboratory clericals? A. Were included, yes, sir.

* * *

[882] Q. Mr. Milliken, were you the one that offered the resolution concerning liquidation? A. I think I was presiding at the meeting, so I'm sure it was someone else that offered the resolution.

Q. All right, who drafted the resolution, sir? A. Mr. Poag, I believe.

Q. And did you give it to somebody else to present since you were presiding? A. I asked Mr.—I believe that the way it went was that Mr. Poag, who was with us, I asked him if he had an official resolution that ought to be passed to comply with state law and he said that he had and I asked if someone would make the motion.

* * *

[884] Q. You said there was a subsequent raise that amounted to what, three or four tenths of a cent? A. That is right.

Q. In March? A. On March 1, 1956.

Q. And to what employees did that go, sir? A. To those who were below the dollar minimum rate that went into effect at that time.

* * *

Q. (By Mr. Dyer) Since this average wage amounted to less than four cents, it would bring your relationship, a ratio to other plants, in South Carolina, even closer, would it not? [885] A. It was my understanding, my recollection, that before the wage increase Darlington wages were three and a half cents an hour higher than the average for the State of South Carolina as shown by the Department of Labor. If a five cent an hour wage increase went into effect at that time and we went up almost four cents, we would have been higher by about 2.4 cents an hour average throughout the mill.

Q. Well, you think you were still higher at that time? A. Yes, I do.

* * *

[889] Q. (By Mr. Dyer) Mr. Milliken, you've referred in your testimony to the problem of Japanese imports and the concurrent problem of Japanese taking away markets for your exports? A. That is right.

Q. How much cloth did Darlington export? A. Darlington, to my knowledge, did not directly export anything, but Darlington's goods, I believe, went into export through the means of the converters and other manufacturers who were the customers of Darlington's greige goods and subsequently finished them. There is a very small, if at all, export business in greige print cloths. Most of the exports are of the same cloths after they have been finished and dyed so that while Darlington's goods probably eventually went into export, a certain percentage of them, I would have no way of knowing that a certain yardage did go into export.

Q. Actually, you have no way of knowing whether any of [890] them went into export or not? A. No, but I do know the total export of the cotton textiles were down.

* * *

Q. And wasn't the main concern of the textile industry in the United States that the Japanese were concentrating on one or two or three industries and hitting them very hard? A. That is correct.

Q. And those were velveteens and ginghams? A. And pillow cases, I believe, made out of print cloth.

Q. And your company manufactured nothing that went into the velveteens or ginghams, is that right? A. No, but we did manufacture broadcloth that went into [891] shirts and blouses and the Japanese were shipping made-up blouses and shirts into this country.

Q. By 1956 broadcloth was one of your minor items? A. It was our largest single item, seven and a half million yards, 109x58.

Q. Yes, sir, you are right. So, broadcloths were a large line. Who was the main buyer for your broadcloth? Who were the main buyers for your broadcloths? A. I think a firm called the American Bleach Goods Company was the largest buyer of our broadcloth.

Q. Do you know what they did with your broadcloth? A. No.

Q. You don't know whether it went into women's dresses or shirts or anything? A. I believe it went into a wide range of uses.

* * *

[896] Q. Mr. Milliken, you've mentioned the pillowcases a number of times. Were any of the goods that Darlington manufactured used in the manufacture of pillowcases? [897] A. I don't believe so.

* * *

[909] Q. I believe yesterday you said that 84 new looms total cost was around $122,000? A. That is the figure that they are on the books of the company and in this order.

[910] Q. Well, in the booklet which I think is General Counsel Exhibit No. 10, the auctioneer's booklet, they were listed at a price which when multiplied out came to $137,000? A. Yes, that is correct.

Q. Was the $137,000 and some odd dollars the actual cost to Darlington? A. No. The figure used in that booklet was the price that a customer would have had to pay in November, 1956, if they had gone out and bought equivalent machinery, in other words, in an effort to get the highest possible price for machinery that was offered for sale, the replacement value at that time was listed in this booklet and there had been an increase in the price between the time that Darlington had their order, almost a year earlier and

the prices prevailing at the time, of the auction for which that booklet was prepared.

Q. Then the Darlington order went in some time in February, 1956? A. I believe it was in January.

Q. Therefore you had them at this $122,000 figure at that time? A. Yes, that is correct.

* * *

[913] Q. During the time from 1954 to 1956 there were a number of work load adjustments at Darlington, were there not? A. There were.

Q. And among the changes made, the spinner operators went from 18 spinning frames to about 27, is that right? [914] A. I don't know the exact figures on this, there was an increase I do know in the job as spinner, filling spinner during this period.

Q And in weaving there was an increase in this category of from 28 to 56 looms and another from 80 to 94 looms, is that right? A. I am not familiar with that, Mr. Dyer. I would assume that was probably true.

Q. There were other adjustments of work loads during the same period say in the spooling? A. Yes, there were.

* * *

[916] Q. I believe you made a statement yesterday, Mr. Milliken, that during the period of 1952 to 1956, that there was no decrease in the cost of manufacturing at Darlington. is that true? A. No Sir.

Q. There was a decrease in the cost? A. Yes Sir.

Q. And during this time some of the decrease in cost was due to some employees being laid off and the output of the machines stepped up, is that right? [917] A. Yes, that is correct.

* * *

Q. Mr. Milliken, do you have an idea of approximately when the work load assignments changed, was that in 1952 or 1953? Do you have any idea about when you started the program? A. Well, I don't wish to characterize that as a program that started at any definite time, it started at Darlington continually trying to improve their cloth. There has been an increase in productivity in the textile industry every year I believe with the possible exception of a year or two during the war, and this was a constant program, and when the Darlington Company made some progress all along, the problem was that it was not making the same amount of progress that the competitors were making by installation of the same type of modern equipment.

Q. My question goes back to this. I thought that most of the changes in work assignments, etc., started at the beginning of your modernization program in 1952? A. Well, I don't wish to have you believe that we did not [918] have any improvements in 1951 or 1950 or 1949 because we did.

Q. Then this program of work assignment change has been in operation practically as long as the mill has been there? A. Yes, that is correct.

Q. Do you recall when your first conversation was with Mr. Oeland wherein he mentioned that there was some resistance to him? A. Yes, I think that too was shortly after he first came down to Darlington.

Q. Now that was in 1951? A. Yes.

Q. And has he reported to you since that time that there was still some resistance to him? A. Yes, some resistance to this program becoming competitive, I don't feel that he reported to me that it was a resistance to him as an individual, but to the fact that there was this great resistance to going ahead with the program that would make it possible for us to be competitive, and a resistance on the part of a

group of employees to carrying out the assignment of jobs, that is component part assignments as they were instructed to carry them out. For instance I remember his telling me at one time that in the roving process a roving tender is instructed to doff the roving from the frame, put it in a box neatly so as not to damage the roving, and that he would see a roving tender throwing the roving [919] box in the truck which of course damaged the roving and caused ends down in the spinning, and that likewise in starting up the roving after an end came down, they were instructed to move the shifter handle very slowly so that the roving would start up without a big jerk on it just as you release a clutch in a car instead of letting it in all at once, by throwing the shifter handle quickly which they did, that they put such strain on the 100 ends of roving that within that roving when you get into spinning you would have 1200 ends down as a result of weakened roving which would prevent a spinner being able to take care of the full number of spindles that she otherwise would take care of if instructions had been carried out through the mill.

Now prior to Mr. Oeland's being the treasurer——

Trial Examiner: When did these things occur, over what period?

A. Mr. Examiner, Mr. Oeland talked to me first about this right after he went down to Darlington, and as I have testified, when we met quarterly to review the progress that we had made, he had a report that the program that he had laid out for the mill had not been achieved, I would inquire as to the reason why we had not been able to do it, he would report to me instances of this kind which had prevented this achievement.

Q. I believe you told us also that while some progress was made the company did not make as much progress as its competitors did with the same machinery? [920] A. Yes, that is correct.

Q. And when did you know that? A. Well, Mr. Oeland, as part of his job would visit the competitors' mills and to find out what they were doing and competitive mills would visit Darlington and by this exchange of information and by discussions with respresentatives of machinery concerns he knew and could communicate to me what other mills were doing in terms of work assignments on comparable types of machinery and that we were far from being competitive with them.

Q. When was this? A. At the quarterly meetings which were set up on a regular basis each last part of January, April, July and October, when we would meet to review the progress.

Q. That was since 1951? A. Yes Sir.

* * *

[922] Q. Now after reviewing the union releases on this Friday, September 6, or 7th? A. Yes.

Q. I believe you said that you asked Mr. Poag if the vote did not mean that the minority had become a majority and would make changing to modernization tougher? [923] A. Yes, that is correct.

Q. And then that was your thought at the time, you asked Mr. Poag the question, is that right? A. I had been down to Darlington and I asked him, yes, if he believed that that is the proper interpretation to put upon the facts of the result of the election.

Q. And he agreed? A. He said that he thought definitely that was so.

Q. And that was also your interpretation, was it not? A. After reviewing it with him it was.

Q. Then, to bring things to another turn then, in your mind the union was a stumbling block to modernization, is that right? A. I felt that as a result of the campaign that had been conducted and the promises and statements made in these letters that had been distributed, that if before we had had some hope, possible hope of achieving competitive course by taking advantage of new machinery that was being put in, that this hope had diminished as a result of the election because a majority of the employees had voted in favor of the union whose principal promise as I read it was that they would help the employees to see that they got control of work assignments, would take the stretch-out, so called, into their own hands, would stop it, would prevent management from going ahead with the work assignment changes.

* * *

[924] Q. Now in this memo on points, I think Mr. Patton was cross examined by Mr. Price, have you seen that memo of points that you made at the October 17 meeting? A. Yes Sir.

Q. Now in that memo of points, you said that the people in electing a union indicated an unwillingness to cooperate on the modernization program, is that true? A. That is correct.

Q. And you based this statement of yours on the way you interpreted from the union propaganda, is that right? A. I base that statement on the fact that running throughout all of this literature was the repeated statement that if they won, had to stop the installation of new work assignments.

Q. If they wanted to stop what they call a stretch-out, the thing to do was vote yes for the union on September 6? A. That's correct.

Q. Then your whole interpretation of the meaning of the union election is based solely on the statements in these releases by the union, is that right? A. Yes Sir.

* * *

[927] Q. Mr. Milliken, I hand you what has been marked General Counsel Exhibit 11 for identification, which purports to be a newspaper release and ask whether this news release was [928] prepared under your direction or do you know who prepared it? A. That is correct.

Q. It was prepared under your direction? A. Yes.

Q. When was this done, do you know? A. Prior to the stockholders meeting on October 17.

Q. Now I notice on this particular line there was some typing inserted? A. Yes.

Q. Do you know when that was done? A. After the stockholders meeting.

Q. And at whose direction? A. At my direction.

* * *

[936] Q. Now one of the factors which you mentioned yesterday was the Japanese imports. Your conception of the Japanese imports goes back a good bit of time, does it not? A. It goes back to the time when the amount of imports started to rise very steeply.

[937] Q. That would be in early 1955? A. Early 1955, yes.

Q. Now do you remember discussing the Japanese imports question in the directors meeting in 1955? A. I don't specifically recall doing that, I believe that I probably did because it was a part of great importance to me.

Q. And the Japanese texile imports had reached their zenith in the latter part of 1955 and the early part of 1956? A. Yes, that is correct.

Q. And were they discussed at the January meeting of the stockholders and directors? A. I believe they were.

Q. And it was at that time that it probably had become most acute in the industry was it not, that is when those turned out to be subsequently the highest month of importation? A. Yes.

* * *

[941] Q. Now you have interest in other textile firms which produce print cloth, do you not? A. Yes, I do, Mr. Dyer.

Q. And you keep in close contact with their earnings in regard to that? A. Yes, I do, Mr. Dyer.

Q. Now taking the name of one of those, Monarch, do you recall what the net earnings ratio to net worth was in 1955?

* * *

[942] A. No, I don't recall the exact ratio, but I do know that the results of Monarch for 1955 were discussed by the directors at their meeting because it had not been a good year and the prospects for the future were reviewed. Monarch was also in the midst of a program of modernization and the [943] management felt that they could expect to get returns from their modernization program because of the cooperative attitude on the part of the personnel in the mill. Actually their prognostication was borne out and in the year ending last December 3rd, Monarch profits were over twice what it was in 1955, whereas Darlington having a profit of $121,000 in 1955, had a projected loss of $40,000 for 1956.

Q. Now you said there was some discussion, was there any proposal concerning liquidation as to Monarch? A. No Sir, there was not because on review of the circumstances, the prospects for the future appeared to be good and the facts to date have borne out the soundness of that prognostication.

* * *

Mr. Dyer: Mr. Examiner, I will ask your indulgence for one further question of this witness because of one of his answers. Now Mr. Milliken, you stated because of the cooperative attitude at Monarch Mills?

A. Yes.

Q. Did the Monarch Mills have a union? [944] A. No.

Q. And just to clear up the relationship with the Monarch Mills, were you president and chairman of the board? A. I am president of Monarch Mills and a director, yes.

* * *

[949] Q. (By Mr. Dyer) Mr. Milliken, besides the receipt of the union sheets, did you ever receive any communication from the union during the period of say while the organization was going on up until the time of the decision to liquidate was made? A. Did I ever receive any communication from the union directly?

Q. Yes? A. I can't remember of any, no.

Q. Actually the only thing that you have from the union then until the time of the decision to liquidate was made was the documents in evidence, Company Exhibits 1 through 5? A. Plus Mr. Poag's interpretation of them.

Q. Plus his interpretation of them? A. Yes.

Q. Nothing else from the union? A. Nothing else from the union that I can recall.

Q. Now in January, 1956, Mr. Milliken, when the board of directors meeting was held and when stockholders meeting was held, the directors at that time had a very good idea about what the eventual cost of the modernization of Darlington would be, did they not? A. By eventual cost you mean what?

Q. You were referring a moment ago to the cost of air conditioning the plant? [950] A. Yes, they did know about the probability or possibility of the necessity of air conditioning because it had been discussed and had been rejected as being unwise expenditure of money because of the uncertainty of the ultimate profitability of Darlington.

Q. What I say is in January, 1956, when the directors met they did make some decision concerning new looms and other modernization? A. Yes, they did.

Q. And they knew that this question of having the plant air conditioned was one that was going to be next along the line in the modernization program? A. Yes, they did, and the reason they rejected authorizing the expenditure for that was because it was an unsound expenditure of the stockholders money, but their investment, their authorization of the investment of money in looms was not an unwise investment, because it held out the promise of cost savings without risk of having permanently lost the money involved because they believed that if things did not turn out that Darlington did not turn out to be able to make a profit that a substantial proportion of the cost paid for the looms could be realized by a sale.

Q. Then also back in January, 1956, at the meeting the directors knew that Darlington was going to have to go to the standard yardage, did they not? The standard count? [951] A. Yes.

Q. Actually that is one of the reasons why you were buying the looms? A. Yes, that is correct. And at that time the price of standard construction was six cents a pound over what it was when the directors met again in September or a difference of $480,000 a year between the economic factors existing in January and those existing in September.

* * *

Q. (By Mr. Dyer) Actually, Mr. Milliken, most of the problems which you took into consideration when you thought [952] over the question of liquidation on September 7th, most of the problems had been with you for a period of years, had they not? A. No sir. Actually the problem of a shifting market had been but it had come to a climax in 1956.

Q. And the problem of eventual modernization had been with you for a number of years, had it? A. It had been rejected as impractical and for the first time Darlington Mills, for the first time since 1930, was faced with the prospect of a year in which they would operate in the red.

Q. And the question of the Japanese imports had been with you for a period over a year prior to this decision? A. Yes, that is correct.

* * *

Trial Examiner: Excuse me, before you leave this, I think you told us that for the first time you were facing a loss in 1956?

A. Yes, that is the first time since 1930 that we were staring a loss in the face.

Q. Let's refer to that as a new factor which you faced in 1956? A. Yes.

Q. What other new factors were there? [953] A. The factor that we were going to have to make the standard

print cloth construction, and that it was no longer going to be possible to avoid making these constructions, and that on these constructions where we would be competing with most modern mills, that had the lowest cost, we would be worse off as against our competitors than on the fabrics that we had been able to secure orders for up until that time.

Q. I thought you had told us that this factor of the need to make standard print cloth in competition with the most modern plants faced you in January of 1956? A. It had and at that time Mr. Oeland and I had a long discussion, should we not put the mill on 80-squares at that particular time, because we would make a profit on them at prices then prevailing, but he recommended that we postpone this decision until such time as the new looms had been installed and in the meantime he tried to secure orders on other styles of fabric, and as you will remember from this chart we ran the most number of different styles in 1956 that we had ever run in an attempt to see whether it was possible to find another fabric that was not standard print cloth and on which we at higher costs could compete, and his attempts to find these fabrics were accelerated as the price on print cloth during the first six months declined and it ran about one cent a month and instead of being able [954] to project a profit from the sale of such print cloths, we were faced with a certain loss if we went into them. But we arrived at September 6th, and looking into the future realized that it was no longer going to be possible to avoid doing this, and that meant with the present prices prevailing in the market at that time that with our costs, that we would have had a projected loss of $240,000, and we saw as we discussed at the directors' meeting no indications that the market condition would change, and as I

have just pointed out, at this time last January and early February when the market was up six cents a point to a year ago——

Trial Examiner: You mean in 1957?

A. Yes.

* * *

Trial Examiner: Could we say then that this factor [955] of the need to make standard print cloth was not new in September or October of 1956, coming into fact in January of this year, but that the lower prices for such cloth in September and October was new?

A. And the certainty of a loss if we went into it.

Q. Now you were asked if I recall to tell about other new factors, are there any others? A. Yes Sir. I believe that there was a new factor to the extent that I thought that this minority of personnel that had resisted new work assignments had become a majority because I believe that that was the basis on which the union had polled a majority of the votes in the election, and that the hope that we had sustained during the period under review that we might be able to get our costs in line with competition was not going to materialize.

Q. Any other? A. I can't think of any other.

* * *

[957] Q. Well, you mentioned that back in 1951 shortly after Mr. Oeland came, the resistance of employees built to change of hours of employees? A. No, I did not mention that.

Q. You did not? A. No Sir.

Q. Let me ask if it is true that approximately ninety-five percent of the people employed at Darlington protested Mr. Oeland's action in changing the work hours? A. I read that in the testimony, yes.

Q. Do you know that that is true? A. Yes.

* * *

[958] Q. Did you ever attempt to find out what the basis of their dissatisfaction was? A. No Sir.

* * *

Q. You told us, Mr. Milliken, that frankly since Mr. Oeland first came there that there has been some element of dissatisfaction and that he has mentioned it to you in a number of conversations? A. No, I did not, I said there had been a lack of cooperation with the installation of new work assignments.

Q. And that went back to a period of 1951 and 1952? A. Yes, from the start of the new work assignments

Q. What is lack of cooperation, do you call it dissatisfaction? A. I call it lack of cooperation.

* * *

[963] *Cross Examination* (By Mr. Zimny)

Q. Mr. Milliken, you have been conversant with the Japanese import problem for many years, have you not? A. No Sir, I had only gotten into this matter starting in the latter part of 1955, and the first eight months of 1956 when I went to Washington on at least four different occasions to meet with other representatives of the industry that were similarly worried by it.

* * *

Q. Now the remaining directors of Darlington Manufacturing Company are more, or were similarly interested

in that Japanese problem in 1955 and prior thereto, would you say? [964] A. In a rather offhand way because it was not as has been brought out in this testimony until the last six months of 1955 that the importation of goods from Japan began to be of tremendous importance. There was a very steep increase in the amount of those imports immediately following the signing by Congress of a new three year renewal of the reciprocal trade act.

Q. That was when, in 1955? A. Yes.

* * *

Q. Wait, when the board of directors held their annual meeting at Darlington on January 17, 1956, you were conversant with the Japanese problem at least as it had reached the height in 1955, were you not? A. Yes, and discussed it.

Q. And you discussed it with the other directors? A. Yes Sir.

* * *

[965] Q. As a matter of fact in the fourth quarter of 1955, had not the shipping of cotton goods from Japan to the United States reached a peak? A. Yes Sir, and that information was not available in January.

Trial Examiner: When was this you referred to?

Mr. Zimny: It reached a peak in the fourth quarter of 1955. Did you know about it in the January 17th meeting? A. Yes Sir.

Q. And did you report that fact at that meeting? A. I did.

* * *

[966] Q. You turned around, I can't hear you. Now in the second quarter of 1956, it was even a greater drop in

the shipment of cotton goods from Japan to the United States than there had been in the first quarter, had there? A. Yes, that is correct.

Q. And in the third quarter of 1956, there was still a further drop from what it had been in the second quarter of 1956? A. Yes, but that information would not have been available to us at the time of the directors meeting.

Q. Did you read that information or have an inkling of it from the reports in the Daily News Record? A. I might have known as of the first month of the third quarter.

[967] Q. As a matter of fact, Sir, don't you at least now know that the shipment dropped from the first quarter of 1956 to the third quarter of 1956 in an approximate amount of twenty-six million square yards of cotton goods?

Mr. Updike: Mr. Examiner, he asks whether he now knows, I have no objection to going into what we all now know if it is going to apply to everything, but if the test is what was known at the time the decision was taken, then I submit the question is not a proper one.

* * *

[969] Trial Examiner: I think your question relates to the month by month first for the third quarter which includes the month of September and how the witness or anybody could have that information before October is not quite clear.

Q. (By Mr. Zimny) Well, did you have it before October 17? A. I doubt if we had the September figure before then.

Q. Did you have the August figure? A. I think we did.

Q. Did you have the July figure? A. Yes.

* * *

[979] Q. Do you remember reading, Sir, the speech or perhaps you were present when Sherman Adams, Assistant to the President, addressed the annual meeting of the Northern Textile Association at Fort Smith, New Hampshire, on Thursday, September 27, 1956? A. No, I was not.

Q. Did you read his speech in the press? A. I did.

Q. You were aware of that speech then on October 17 at the stockholders meeting? Of the Darlington Manufacturing Company? A. Yes.

* * *

[988] Q. (By Mr. Updike) Now Mr. Milliken, in the course of your cross examination, you were asked about whether Darlington paid fees to the directors, and you were unable to answer.

Q. Do you know now what the fact is having sought out the information during luncheon recess? A. I have sir, and the fee paid to each director for each meeting was $40.00.

Q. And was there ever anything in travel allowance paid to any director? A. No Sir.

* * *

[989] Q. Now you were also questioned about whether at the directors meeting of September 12, there was either prepared in advance or prepared subsequently the particular form of resolution appearing in those minutes concerning the recommendation to the stockholders that Darlington be liquidated, and you were uncertain at that time as to whether you had or had not asked Mr. Poag to do it before or at the time of the meeting. Have you refreshed your memory by talking to Mr. Poag during the luncheon recess with respect to that? A. I have.

[990] Q. What were the facts? A. Mr. Poag tells me that at the meeting he was asked by me to prepare subsequent to the meeting the proper language to conform with the South Carolina law covering the motion that had been presented and passed by the directors of recommending to the stockholders that they vote favorably on the question of liquidation, and that he prepared such a statement following the meeting.

* * *

[993] Q. Now I am going to ask the question in reverse, Mr. Milliken, to what extent if any, and in what respect if any did the union election or the election of the union on the 6th of September constitute a factor in calling the board meeting and the decision of the board? A. It constituted a factor to the extent that I have outlined, the discussion that I had with Mr. Poag on September 7th involving the interpretation of what the election meant and in which regard he stated that he believed that the union had [994] won the election because of the promises made to the people of Darlington that if they elected the union, installation of new work assignments would be put under their control and that the company would be stopped from going ahead with the program of modernization, and because of that I called the other directors, reviewed with them all of the factors, and it can be said that the election with this factor in it caused the directors to review all of the factors making up the economic picture of Darlington, and the possibility of making or losing money in the future.

Q. To be specific, am I to understand that the election caused the review but did not cause the liquidation? A. That is correct.

Q. Now between the directors meeting of the 12th of September and the stockholders meeting of October 17,

were there any new or additional factors? A. Yes, there were. In the beginning of October a general wage increase of ten cents an hour.

Q. Such as that referred to in General Counsel Exhibit 13? A. Yes, took place, and this additional wage increase if it had been put into effect at Darlington would have cost the mill an additional $120,000 a year over and above a $240,000 projected loss that lay in front of the mill had print cloth prices stayed where they were on September 6, and they have since declined.

[995] Q. Now finally, Mr. Milliken, Mr. Zimny asked you a number of questions with respect to the solution or resolution of the problem in regard to the Japanese imports and the placing of quotas on those imports. Did there come to you either in September or October, 1956, or at any time earlier that year any statement from any public body that in substance meant to you that the Japanese import situation was going to be any less and would have any less effect on Darlington thereafter than Darlington had been subjected to in the past? A. No Sir.

* * *

Recross Examination (By Mr. Dyer)

Q. Mr. Milliken, in regard to General Counsel Exhibit 13, you mentioned just Drayton Mills, actually the announcement was to have affected more than one mill was it not? A. Yes, that is correct.

Q. In fact it was to affect some fifteen or twenty mills? A. Yes Sir.

[996] Trial Examiner: The increase went into effect when, you say, in 15 or 20 mills of yours?

Mr. Updike: I move to strike out "of yours".

Trial Examiner: Yes, I think the witness has referred to mills in which he held an interest.

Mr. Updike: Or mills represented by Deering, Milliken and Company as selling agents either way.

Trial Examiner: All right, put it that way in the question, that is what I meant. The evidence indicates that even Darlington mill was not this witness', I was careless in my use of the language.

A. The answer, Mr. Examiner, is yes, and the date effective October 8th.

Trial Examiner: What was the number of mills?

Mr. Dyer: I said 15 or 20. Can you be more accurate?

A. Yes, I can.

Q. What was that number? A. Twenty-seven.

* * *

[997] Q. Thank you. Now I believe you just stated that some of your customers said they would not purchase 40-inch goods any longer, is that correct? A. Yes, that is correct.

Q. That does not mean that all of your customers were refusing to buy 40-inch goods, does it? A. No.

Q. That was just a portion of the customers? A. Yes, and indicated the trend.

Q. All right. Now actually were you not anticipating the trend when you first ordered the 50-inch looms? A. Yes, that was the first step in the anticipation of the trend, yes.

Q. And actually at the time you anticipated that, you also anticipated that the company would probably of neces-

sity have to buy more wide looms besides these, did you not? A. Yes.

* * *

[998] Q. But the correct loss for the fiscal year for 1956 would have amounted then to about $30,000, would it, from October? A. Well, around that, yes.

Q. Was one of your reasons for not putting that increase into [999] effect in Darlington the fact that there was a union representing the people at Darlington? A. No Sir, the reason we did not put it in was that Darlington was then losing money and we did not feel while we were losing money that we should increase the loss while notice had been sent out to the stockholders calling a meeting to discuss the matter of liquidation.

* * * *

Q. When you say that the factor of the union election caused the review but not the liquidation, you do not mean that the fact of the union election did not have some influence in the liquidation? A. I have repeatedly said that the promises made by the union to the workers at Darlington during the strike in my mind meant that we would encounter increased resistance to a program of production which was essential if the mill were to be competitive with other print cloth mills.

Mr. Zimny: You used the phrase "during the strike", you don't mean that? You mean during the election?

A. Yes, the election campaign.

Q. (By Mr. Dyer) Mr. Milliken, when you said there was a general wage increase of ten cents in October, actually [1000] everybody followed that pattern, did they?

Mr. Updike: If you know.

Q. (By Mr. Dyer) Do you know of mills that did not follow the increase? A. I cannot think of any now except Darlington.

* * *

Recross Examination (By Mr. Zimny)

* * *

Trial Examiner: What is the question?

Mr. Zimny: Let me repeat it. Mr. Milliken, were you under the impression that you were under a legal compulsion to put the ten cent increase into effect at Darlington plant? A. No.

* * *

[1001] *Redirect examination*

Q. (By Mr. Updike)

* * *

Q. Immediately prior to the stockholders meeting, let's say, within a day or two prior to the stockholders meeting of October 17, did you have an approximate idea of the position of the proxies which had come back through the mail? A. I called Mr. Oeland and I think it was a week prior to the stockholders meeting, and he told me that proxies representing seventy-two percent of the stock had then been received by him, made out in his name or my name as the nominee.

Q. Now was that approximately the situation during the rest of that week? A. Yes, that is correct.

* * *

Q. But in anticipation of that meeting did you prepare the Exhibit 11? A. I did.

Q. And will you tell the Examiner the circumstances under which you prepared it? [1002] A. I anticipated, Mr. Examiner, that because the meeting of the stockholders has been widely commented upon in the press, that following the meeting I would be accosted by newspaper reporters who would ask me to give them some comment on what had taken place at the meeting. I anticipated that they would write a story up as to what I told them, knowing that seventy-two percent of the stock was voting in favor of, going to vote in favor of the directors' recommendation I felt that I could have with me at that time a news release which would dwell in detail on the machinery that was in Darlington and which would be offered for sale, that it would be possible to get some free advertising out of the news story that carried it. Unfortunately we got very little.

* * *

Q. Now I am not clear as to the significance of your answer to Mr. Dyer's Question about the relationship of the election to the directors' deliberations on the 12th of September, and I would like to be precise about that. You adverted in your answer to Mr. Dyer to your testimony several times repeated, that the election results indicated to you that the minority resistance had become a majority, am I right so far? [1003] A. Yes, that is correct.

Q. Now will you tell the Examiner what effect that had on the holding of the meeting or on the liquidation, or both? A. That factor caused me to review all of the economic factors affecting Darlington, it caused me to call the directors in New York and Connecticut and review them over the telephone in some detail, it caused them to agree with me that it was essential to call at the earliest possible time a

meeting of the full board of directors of Darlington Manufacturing Company to review all of the economic factors affecting the company and the prospects of profitable operation in the future.

Q. And you stated now the relationship to the holding of the meeting, is that correct? A. I don't understand that?

Q. You stated all in relationship to the holding of the meeting? A. Yes, that is right.

Q. That is all.

Recross examination (By Mr. Dyer)

Q. Now Mr. Milliken, actually, you talked about proxies if a person who submitted a proxy showed up that would in effect cancel out the proxy, now as far as the holdings of Deering Milliken is concerned, you were the person designated as proxy? [1004] A. Yes, I am Deering, Milliken's proxy.

Q. And there was no one else that could show up and cancel out that proxy, was there? A. That is correct.

Q. Also, at the time of the board of directors meeting on September 12, the board of directors unanimously voted to go along with the liquidation? A. To recommend it.

Q. At that time you knew what the holdings of the other members of the Board of directors were, did you not? A. Yes, sir.

Q. And at that time were you assured that the recommendation or recommendation for dissolution would be passed? A. I believed that unless other information was developed between the time of the directors meeting and the stockholders meeting they would vote their stock the same way they had voted in the directors meeting.

Q. And that in effect was a majority of the outstanding stock? A. I believe it was.

Q. I am not quite clear on Mr. Updike's last question when he said that had you told us the effect of the union election on the calling of the board of directors meeting, you limited yourself to just the calling of the meeting? A. Could I have that again?

Q. Yes, let me state it again. I just want to be clear from [1005] what the question and answer were. You named the number of factors that because of the union election you called the directors here and there, now you were limiting yourself in response to Mr. Updike's final question to the effect of the union election in the calling of the meeting, is that right? A. Yes, and I testified that it did or was responsible for the calling of a meeting and the review of all economic factors just as if the mill had had a fire or tornado struck would have caused a reconsideration of all the economic factors affecting the future of Darlington.

Q. And the election of the union in and of itself was one of the largest economic factors? A. No Sir. The winning of an election by the union meant to me and as Mr. Poag said that it meant to him, that a minority of the resistance to work assignments changed, had become a majority, and that meant to me that we were not going to be able to proceed with our program of modernization and cutting of costs.

Q. Then that in and of itself was an economic factor? A. Yes, that was an economic factor.

Q. And it was one of the largest economic factors that went into it? A. It was one of the factors that went into the decision.

Q. One of the major factors? A. Well, no, I would not say one of the major, there was a $240,000 loss.

[1006] Q. That is all.

Trial Examiner: Would it be fair to state of the company's position that it regarded the organiza-

tion of the plant by the union as an economic threat or economic factor?

A. To the extent only that it meant to me and to the other directors that we could expect increased resistence to the cost cutting.

Q. Does the company now have any mill or other operations? A. The Darlington Manufacturing Company?

Q. Yes? A. No Sir.

Q. Was Darlington ever closed down temporarily? A. Not since my connection with it.

Q. Have you ever closed down a plant in which you had an interest? A. Yes sir. As one of the members of the board of directors, Mr. Buchanan?

Q. Yes? For how long? A. One of them that I have in mind was closed for a period of three months.

Q. Strike the last question, and I won't consider this further because I detect an impulse in myself to make comparisons which would raise problems. I object and sustain the objection. I believe you told us, you answered this question but I don't recall the answer. Were any improvements or any improvements to the Darlington plant made in August of 1956? [1007] A. The program that had been authorized in 1955 and 1956 was still in progress during August, it had not been completed.

Q. And is it a fact that it was continued until September 12? A. Yes, it is.

Q. Do you recall testifying concerning your conversation with Senator Mozingo? A. I do.

Q. After the stockholders meeting? A. I do.

Q. I believe you told us that you urged that no publicity be given to the differences between the company and the employees because you thought that the latter might be willing to cooperate with a purchaser and that it might all

work out with a new company? A. I think it was slightly different from that.

Q. Can you clarify that? A. Yes.

Q. Please do? A. He had stated in the stockholders meeting that he believed that there was a conflict between the employees and management and that the employees were correct, that management had been bad and that he was going to be forced to publicly state these facts and to further make a statement that labor-management strife had started in South Carolina at Darlington, and I tried to persuade him not to make those statements about [1008] labor-management strife at Darlington because I was fearful that that would act as a deterrent to another company coming in and buying the entirety of Darlington and operating it as a textile mill, or in the event that it was sold piecemeal it would act as a deterrent in making Darlington an attractive place for another industry to invest a large sum of money.

Q. Perhaps I am mistaken, I was under the impression that you also told us that the employees who resisted, or who had resisted, I think you used that word, might take it to heart and might be willing to cooperate so that the new company might work the situation out? A. I said that they might realize that cooperation in modernization and costs cutting was essential if a company were to survive, and if they would offer that cooperation to another company.

Q. Did you think that if the employees and the union cooperated with a new company that a new company could profitably resume and continue operations? A. I really had in mind and probability that the mill would be sold piecemeal and that this would be very important to another concern coming there in a different line of business. I did not feel after the review of Darlington's economic position that

it would be possible for somebody else to make a success of Darlington in its entirety but maybe that was a matter of personal pride.

* * *

[1009] *Redirect Examination*

Q. (By Mr. Updike) Mr. Milliken, not only is Darlington without a mill or a mill operation as I understood you to answer Mr. Buchanan's question, but is there any expectation of operations in Darlington in the future? A. As a textile mill by the Darlington Manufacturing Company?

Q. Yes. A. No Sir.

Q. And any expectation on the part of the present management [1010] of Darlington to operate in the future? A. There is no such intention.

Q. Of operating at Darlington? A. No Sir.

* * *

[1013] Trial Examiner: Is it stipulated that this was a South Carolina corporation chartered in 1883?

Mr. Dyer: Yes Sir, I was going to state that the Complaint states it is chartered and named as a South Carolina corporation, that is admitted.

* * *

Trial Examiner: It is agreed and stipulated that the company is a South Carolina corporation, and that it received its charter in 1883.

Mr. Dyer: Yes.

Mr. Zimny: Yes.

* * *

[1014] WILLARD A. GOODWIN, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

Q. Your address? A. 12 Grove Street, Machias, Maine.

Direct Examination:

Q. (By Mr. Price) Mr. Goodwin, on September 6th of last year when the directors of Darlington Manufacturing Company held their meeting in Spartanburg or the 12th of September, and later on, on the 17th when the stockholders meeting was held, what position if any did you hold with the Darlington Manufacturing Company? A. Production superintendent.

Q. You were in that position when the union campaigned to be declared the bargaining agent was commenced? A. I was.

* * *

[1017] Q. Did Mr. Oeland return from Spartanburg that very afternoon? A. He did.

Q. What if anything did he do after he got back? A. He called us all in, all the overseers and myself into his office and reviewed what went on at the directors meeting. After that he asked us to go out in the plant and to convey this information to the employees that the recommendation had been made by the directors to consider liquidation, he felt that that was the better way of doing it in preference to any sort of notices.

Q. Well, did the overseers and all of you go out in the mill [1018] and notify the people what had been done in Spartanburg? A. We did.

Q. Mr. Goodwin, after you had been there a reasonable time, tell us what if anything you observed about a core of resistance to Mr. Oeland's instructions in the work and the modernization? A. After having been there for some time, there was very definitely a certain group which resisted the changes which were necessary if we were going to realize the benefits of the modernization program which were going on at the time I went there.

Q. Well, will you give some illustration along what you mean by resistance? A. One of the more important ones to me was the situation that we had in our weave room in regard to the excessive number of crooked ends in the salvages of the warps. It was one of the most important factors of why we had such a difficult time getting proper efficiency and a good work assignment on the part of our weavers. We worked very diligently at this and got them corrected to a point where the looms in my opinion ran much better. However, after a short period of time, in not giving that a daily look into, they resorted back to their original condition, and we went through that cycle of trying to get the job done and then it being unchecked again and going right back and doing it over again.

[1019] Q. Well now, were there other similar incidents like that? A. Yes, there were.

Q. Were you present in Mr. Oeland's office on the 7th of November at a conference between the union officials and members and Mr. Oeland and Mr. Poag and myself? A. I was.

Q. Were you present? A. I was.

Q. Will you tell us what if anything Mr. Gossett said in reference to the information that he wanted about the rates of pay during that conference? A. As I recall the conversation with regard to the wage rates, and Mr.

Gossett's requesting a copy and being asked why he needed the copy, he replied and said that he would like to have them in order to, as they approached another concern who would be interested in the purchase of the plant in its entirety, so that he could be sure that whoever came into the plant would pay the rates of pay comparable to the ones that we were now paying.

Q. Mr. Goodwin, during the course of this hearing, the witness L. W. Cook testified that on the 11th and 12th of September, I believe, that on the 12th of September, 1956, that he had a conversation with you in the mill, did you have such a conversation? A. I did.

[1020] Q. He stated in substance that you there said it was a mistake that they "hired you in the first place", and further reference to that, he said that you said "Well, when you get all of these people on your conscience and your pocketbooks are flat, I hope you are satisfied", did you say that? A. I did.

Q. Why did you say that? A. At that time, that was probably within less than one hour after coming out of Mr. Oeland's office and I think that like all of us like I was particularly disturbed at what I heard, and I recollect quite in anger I suspect that when I went up to see Mr. Cook, that I made those statements and made them in a certain amount of anger or frustration about the whole situation.

Q. Well, if liquidation went through you were going to lose your job too? A. Yes.

Q. And you did say those things to him? A. I did.

Q. Now another witness for the Board, Mrs. Elizabeth Johnson, said that she had a talk with you, I believe she said it was, I don't believe she fixed a date but do you remember having a conversation with her? A. I do.

Q. Was that before or after the directors meeting? [1021] A. That was before.

Q. Now she says that you said "I see you have still got that button on", and she said, "Yes, I am not a liar or a cheat or a hypocrite", and he said "I admire your courage", and "He asked me if I had seen the company nurse, and I told him that I had not, and he said he had a new nurse and said why did I not go down and see her and see if I could not get some more medical attention, and our superintendent, he told us people that if we voted in the union in the plant that they would shut it down and that they would start shutting it down in about thirty days, and I asked him, I said, if I wanted a recommendation how do I stand to you, and he said if I did not go to one of the Milliken mills I had a good recommendation, but he would have to tell them that I voted for the union, and I said, you don't have any record that I voted for the union", did you have a conversation like that with her? A. I did.

Q. Just what did you say, first did you tell her that the plant would be closed down if you had the union? A. No, I did not.

Q. Well, what was it generally that you said to her in that conversation? A. For the most part the conversation with regard to the first part about the union button and what she replied and in [1022] regard to visiting the nurse because we were quite concerned over something that had happened prior to that, that in essence I did say. I did not mention at this time the closing of the mill, nor anything about the machinery being sold, and concerning the recommendation, I said that I felt obligated if anyone called and asked for a recommendation that I would give her one as so stated but I would have to say that she voted for the union by her own admission.

Q. Now did you say anything to her about Mr. Roger Milliken would close the plant if the union came in? A. No.

* * * *

Q. There is another one in this hearing, Mr. Andrews, page No. 77 of the record.

Trial Examiner: Who is that?

Mr. Price: Corbin Andrews. Now he says that on the 12th after the stockholders meeting that you came to him and among other things said, "He came to me and said—and I had a union badge on, and he asked me had it done me any good, and I said I don't know but I hope so", and he said, "Well, I forgot exactly what he said", he said, "He asked me did I have another job and I told him no, and I did not because I had not and he said, well, you had better start hunting one because the mill is going to shut down, we have already sold the machines", did you make any statement like that? [1023] A. I made the statement to Mr. Andrews which was the morning after the directors meeting, and I believe he worked on the third shift, I stopped while Mr. Andrews was doffing his frame and talked with him and at that time I asked him if he did have another job, because in as much as he had already heard that the board of directors had recommended liquidation, and in my feeling I should think he ought to start looking for one and I made no mention certainly that the machinery had been sold.

Q. You did not say anything to him about the machinery being sold? A. No.

Q. Did you say anything to him or any of these other witnesses to the effect that Mr. Roger Milliken would close the plant down if a union came in? A. I have never made such a statement.

* * *

Cross Examination

Q. (By Mr. Dyer) When did you come with Darlington Manufacturing Company? A. About the first of September 1955.

[1028] *Redirect Examination*

Q. (By Mr. Price) Mr. Goodwin, I neglected to ask you a minute ago, something was said about after the directors meeting they considered slowing down and cutting down of work there in the mill, was that right or wrong? A. You mean after——

Q. After the directors meeting up until the time of the stockholders meeting? A. As production superintendent, Mr. Oeland gave me [1029] instructions to keep the mill running or keep the weave room running at full capacity until such time as the stockholders met and made their decision. The only place where we had some reduction possibly was due to the fact that we had I believe close to sixty section beams of warp yarn in our warehouse and it seemed advisable to use that inventory up which we proceeded to do.

Q. In Mr. Oeland's instructions to you and all the other overseers when he got back from Spartanburg, state whether or not his instructions were to hold things in a status quo? A. It was.

Q. And did you do that? A. I certainly did.

Q. Did you do that until the stockholders meeting? A. I did.

* * *

[1031] HUGH CAMPBELL, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. Worthville, N. C.

* * *

Direct Examination

Q. (By Mr. Poag)

* * *

[1032] Q. When were you employed by Darlington Manufacturing Company? A. I was employed in November 1955.

Q. In what capacity? A. Overseer of preparations.

* * *

[1033] Mr. Zimny: I object, that is clearly leading.

Q. (By Mr. Poag) Following this meeting with Mr. Oeland, what if anything did you and the other overseers do in regard to going out in the plant and informing the people of what had transpired? [1034] A. Well, as I recall that was about 4:30 in the afternoon, when Mr. Oeland had the meeting in the office, and me and the rest of the overseers went out in the plant and informed the people on the second shift of what had transpired at the directors meeting at Spartanburg.

Q. Now do you know Nettie Whitley? A. Yes, I do.

Q. Did she work in your department? A. Yes.

Q. She testified here that a couple of days or a week before the election, that you and she had a conversation in which you asked her how she felt about it, "and I did not say anything at first, and that is when he told me about that he felt like I was for it, and I told him yes", "And then

another time he come around", did you have that conversation with her? A. Yes, I did.

Q. Then on the second occasion, she said that you said, "Well, that is he just told me that they felt like I was for it because they would not hire my husband", was anything said about voting at that time, she was asked, and her answer was "I just don't recall", did you have that conversation with her? A. Yes, I did have a conversation and talked to her about her husband, and I was very much interested and I wanted her to do what I thought was the right thing.

[1035] Trial Examiner: You mean by her husband?

A. No, by all of this union vote, I wanted her to do what I thought was the best thing for the people, and I did ask her how she felt about the union and I had reports that she was, well, I knew that she was for it.

Q. (By Mr. Poag) Did she seek your advice in any respect? A. Sir?

Q. Did she seek your advice in any respect in regard to the union matter? A. Yes, she asked what I thought about it.

Q. And in response to inquiries which she made of you, you volunteered your opinion and feeling about the matter? A. That is correct.

* * *

[1044] DAVID K. SHIRLEY, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Direct examination

Q. (By Mr. Price)

* * *

[1045] Q. What position if any did you hold at Darlington Manufacturing Company? A. Overseer of spinning.

Q. When did you come to Darlington to work in that capacity? A. May 28, 1956.

* * *

[1050] Q. Lets go over here to Elizabeth Johnson, was she one of your employees? A. Yes Sir.

Q. Did you have one or more conversations with her? Do you remember having a conversation with her? A. Yes Sir.

Q. Will you tell your recollection of it just as briefly as you can what you remember of it? A. I remember that she came up or I might have sent for her, I don't know, she came in the office one morning and we got into this conversation, I don't know just now how the conversation began but I did talk with her concerning the union and I asked her how she felt towards the union and she said she did not know anything about the union, and she did not intend to have anything to do with it, and——

Q. Go ahead? A. I don't recall all of the conversation but she just assured me that she was not going to have anything to do with the union.

Q. She told you that, well, in that conversation did you say anything to this lady to the effect that Milliken would close the plant down? A. No Sir.

Q. What about Marion B. Gainey, did you know her? A. Yes Sir.

[1051] Q. Do you recall a conversation you had with her at any time? A. Well, I had several conversations with Marion Gainey and I can't recall everything that was said but she did ask me about the union and I talked with her concerning the union, and she assured me, it seems I

had known her for some time, I asked her how she felt about it and she said she did not know anything about it and was not going to have anything to do with it, and that was about the line of conversation that I carried on with Mrs. Gainey in all conversations, something along that line.

Q. In that conversation with her or at any other time did you ever tell her that if the union came in the plant, Mr. Robert Milliken would close it down. A. No Sir.

Q. Had you ever talked to Mr. Milliken at all about it? A. No Sir.

Q. Were you personally acquainted with him? A. No Sir.

* * *

[1052] Q. Did you make a statement to the effect that you knew what kind of a man Mr. Milliken is and that he figured that a man that would vote for the union won't do a day's work? A. This statement here is not Mrs. Nora King's, that is referring to another one.

Q. Was it Mrs. Rutherford? A. No, I believe the one you have there is Mary Baker, is it, or it might have been—but it was not Mrs. King.

* * *

[1054] Q. Did you know Mrs. Jessie Harrelson? A. Yes Sir.

Q. Did you have any conversation with her? A. Yes Sir.

Q. Do you recall commencing with the first one you had with her? A. As I remember, when I went to Darlington they had a surplus of help, you might say fifty percent spare help and some of the people immediately began to complain to me about not getting enough work, I

will put it like this, maybe you can understand it better. We had fifty-four jobs in the spinning, we had 37 spare hands which meant some of them was resting more than they wanted to, and we drawed up a policy there where we figured would be fair to everyone using the length of time service. Now this is when we were going to have to lay off some, we did lay off thirteen, transferred two to other departments which left about 17 spare or four per shift. It happened that Mrs. Harrelson had been working there some four or five weeks, I believe, and that being one thing that we looked into is [1055] their continued service. It fell her lot to be laid off along with her ability to run the job, but when she was laid off I explained to her after she told me that she had, I believe, five children, how bad she needed work, I explained to her the very first opportunity I got that I would see that she would be the first that I brought back, and in a couple of weeks or so it happened that I was able to take on and I take Mrs. Harrelson, so, and then——

Q. Well, go from there to the conversation that she testified the other day? A. We hired her and after we had gone through the preliminary of hiring her and she had a job and was told to come in and what shift to report on, I asked her and told her what I had talked to her about had nothing whatsoever to do with the union or her way of thinking concerning the union, but I would like to know how she felt, and she said "Well, I tell you", she said, "My daddy had a, had run a second hand job there for a number of years, and her uncle had run the overseer's job, and I have saw them come home so upset trying to run a job until they could not eat or could not rest", and I said, "Well, I gather from that you, I will get your full cooperation and that you will help run the job", and she assured me that she would, and would not have anything to do with the union, not that I told her

not to but she told me that she would not have anything to do with it, says "I know nothing about it and don't care [1056] about it", that is what she told me in that conversation, as well as I remember.

* * *

Q. Well, in that conversation or any conversation that you had with her did you ever tell her that you knew that if the union came in Roger Milliken would close the plant? A. I did not.

* * *

[1061] Q. (by Mr. Price). Did you tell her that Mr. Milliken had spent a pile of money on the mill and if the union came in there he would close it down? A. No Sir.

Q. Did you ever make that remark to any employee? A. No.

* * *

[1064] Mr. Poag: Mr. Examiner, counsel for the respective parties have agreed on a stipulation which I wish to read into the record, and I quote:

It is stipulated by agreement between counsel for the Respondent, General Counsel and counsel for the Charging Union, as follows:

If each of the remaining individuals heretofore stipulated as constituting the supervisory personnel of Darlington Manufacturing Company, were presented as witnesses for the purpose of giving oral testimony, they, and any of them,

(1) would testify that J. M. Oeland returned from the directors meeting held at Spartanburg, S. C., on September 12, 1956, called them together in a meeting and acquainted them with the fact that the board of directors of Darlington Manufacturing

Company had unanimously voted to recommend to the stockholders, at a meeting to be called on October 17, 1956, that Darlington Manufacturing Company go into liquidation for the reasons enumerated by Roger Milliken, and that he had been instructed to maintain the status quo in the operation of the plant during the interim between September 12 and October 17, 1956;

(2) That immediately following this meeting the overseers went out over the plant and apprised the employees of the [1065] decision reached by the board of directors;

* * *

[1070] Trial Examiner: On the record. The record will show that the two first items of the proposed stipulation are in fact stipulated to.

* * *

[1071] Q. Now reference has been made to a meeting that was called by Mr. Goodwin on September 12, 1956, at your request of the supervisory staff of Darlington, do you recall textimony to that effect? A. Yes.

Q. Now will you please state, Sir, just the substance of what you said to that force with respect to what Mr. Milliken had instructed previously thereto following the directors meeting that has been testified to? A. I read the notice that was going out in the local paper regarding the action of the board of directors requesting a stockholders meeting to consider liquidation. I also gave them as near as I could the words of Mr. Milliken and others regarding the reason for liquidation.

Q. Now what was said by you at that time with respect to [1072] keeping the mill in operation? A. I told them

my instructions were to keep everything status quo which I understood to mean that we would keep the mill in operation and in such a way that should the stockholders not approve the action of the directors we would go right straight ahead on full operation.

Q. Now during the period between September 12 and October 17, to what extent did the weave room at Darlington operate, Sir? A. It operated on a 48-hour shift each week.

Q. And the three shifts aggregated 144 hours per week? A. Yes.

Q. Now in relation to that, or withdraw that. Was that maximum operation of the weave room in the history of Darlington? A. Yes.

Q. In relation to that can you state approximately the extent of operations as relate to departments? A. As has been brought out in the testimony, we had on hand certain warp yarn that we used during this period.

Q. That was in anticipation of warping the 50-inch wide looms? A. Yes, that is right.

* * *

[1073] Q. All right Sir, now except for the absence of need for product of a particular division, what can you say with respect to the operations of Darlington Mill in its entirety during this September 12 to October 17 period? A. It operated on a full schedule.

Q. And were all employees whether or not to have belonged to the union or not employed full time consistent with what you have just stated about the operation of the mill? A. Yes.

Q. Now Mr. Oeland, there is some testimony here with respect to some petition or petitions that were circulated in the plant. First of all, was there any petition that was initiated by you or with your knowledge? A. No.

Q. Did you offer any sponsorship direct or indirect? A. No.

* * *

[1082] Did Mr. Campbell say to you after asking you how the situation looked, and you answered that it "looked very dim", did you say that if the union was out the mill would run, but if it was in the mill would close? A. No Sir.

Q. Nothing like that at all? A. No.

Q. Now finally, Mr. Oeland, did you have an account of the number of stockholders, of who were present at the meeting of October 17? A. I think I remember, I would like to state that I have given it to the counsel, General Counsel, a list of those that were there.

Q. Would you just state the number in the record? A. As I remember it was a little over 150 shareholders represented there.

Mr. Zimny: Was that shareholders or proxies?

A. Proxies and in person.

Q. (By Mr. Updike) And can you remember how many voted for and how many voted against? [1083] A. There were four present that represented four proxies that voted against the recommendation for liquidation.

Q. Was one of them Senator Mozingo? A. Yes.

Q. And who were the others? A. Mr. LeRoy Want, attorney here in town, and Mr. Tom Buchanan, or Mayor Tom Buchanan and Mr. Ted Coggshall.

Q. And was Mr. Coggshall a Darlington man? A. Yes.

Q. So that the four that you mentioned were all Darlington people, is that right? A. Yes.

Q. I mean from the Town of Darlington? A. Yes.

Q. And the remainder present in person or by proxy, voted in favor of the liquidation? A. Yes.

* * *

Q. That is all. You may examine. I do have one further question. Did Mr. Milliken before or after the directors meeting state to you in substance that if the union won the election or came into the plant that he would close that plant down? A. No Sir.

* * *

[1085] THOMAS MARION BAKER, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

[1086] Trial Examiner:

* * *

Q. Your address? A. 208 Catherine Street, Union, S. C.

* * *

Q. Did you tell at any time during or from the time the union started the campaign until the very last when the mill was closed, did you tell any of these witnesses who have been in the court room that Roger Milliken had said that he would close the mill if the union came in or that he had any intention or would close the mill if the union came in? Did you ever make that statement to anybody? A. No Sir, I did not.

* * *

[1087] *Cross Examination*

Q. (By Mr. Dyer) Mr. Baker, are you employed at present? A. Yes.

Q. Where? A. Monarch Mills, Union, S. C.

* * *

[1088] WILLIAM A. HAMMOND, A witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

[1089] Q. Did you at any time prior to the sale of the mill say to any witness that Roger Milliken had said to you that if the union came in he would close the plant? A. I did not.

Q. Did you tell anyone, any of these witnesses, and particularly Mr. J. B. Floyd, that if the union came in Roger Milliken would close the plant? A. I did not.

Q. Did you ever quote Roger Milliken at all to any employee along that line? A. No sir.

Cross Examination

Q. (By Mr. Dyer) Mr. Hammond, where are you employed at present? A. Deering, Milliken Service Corporation, Union, S. C.

Q. When did you get that job? A. December 12, 1956.

Q. Were you employed prior to that at any other location? A. I was.

Q. Where is that? A. Morgan Mills, Springfield Plant, Lauinburg, N. C.

[1090] Q. Did you apply for this job at Deering Millikin Service Corporation? A. I did.

Q. When did you do so? A. Along about the first week in December I called Mr. Ray Toher and asked if the job was available.

Q. Somebody told you that the job was available? A. Yes.

Q. Who did? A. Mr. Toher called me and asked if I was interested to contact—him.

* * *

Trial Examiner: Who is it that you spoke to?

A. To Mr. Ray Toher.

Mr. Price: Have you got a family?

A. Yes. Four including myself.

Q. You are glad to get a job, were you? A. I sure was.

* * *

[1095] FRANK KINSEY, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Direct Examination

Q. (By Mr. Price) Mr. Kinsey, what position did you hold at Darlington Manufacturing Company last year to the time the mill was sold? A. Second hand.

Q. How long had you been working as second hand at that mill? A. Sixteen years.

Q. Mr. Kinsey, during the union campaign and any time up until the time of the sale, did you tell any of these witnesses who have been here or any employees out there that Mr. Roger Milliken had told you that if the union came in he would close the plant? Did you make any such remark? [1096] A. I did not.

Q. Did you know Mr. Milliken? A. I did not only seeing him come through the mill, that is all.

Q. Do you know whether or not you ever had a conversation with him? A. I never spoke to him in my life.

Q. And you made no such statement to any witnesses, or any of the people out there? A. No.

Q. You are not working anywhere, are you? A. Yes. Just about on relief.

Q. Well, we are satisfied it will come out all right for you. Any questions?

Mr. Dyer: Yes.

Cross Examination

* * *

[1097] Q. Now do you remember giving a statement to a newspaper reporter wherein you said, "The company officials told me and forty other employees if we would oppose the union in its effort to organize the workers, that we would be taken care of, if we fought the union, we lost the election and now we are losing our jobs"? A. I got that reporter back and straightened it out. I got that back and straightened it out. I did not.

Q. What did you tell this reporter? A. I did not tell him that.

What did you tell him? A. I told him we were under the impression that the mill was going to run on, that the mill was not going to close, I did tell him that.

Q. Do you remember what you did tell him? A. Remember what?

Q. What did you tell the reporter? A. No, I don't remember.

Trial Examiner: Did you tell him that you were under the impression that the mill would not close?

A. I was under the impression that the mill would not close.

Q. (By Mr. Dyer) Did you see this statement in a newspaper? A. What is that?

Q. This statement that I just read to you, did you see that? [1098] A. Yes, that is the reason I got him back and straightened it out.

Q. What did you straighten out? A. I don't remember now what it was.

Trial Examiner: Do you mean that you straightened out this article? A. Yes.

Q. I think the question is, what did you say, is that the question?

Mr. Dyer: Yes.

Trial Examiner: What did you say to the newspaper reporter when he came after this article appeared?

A. I don't remember, there was a mix-up in there and I don't remember just what it was.

Q. (By Mr. Dyer) Do you remember saying to the newspaper reporter that you did not think the action was right, you did not believe it was being fair to those of you who attempted to avoid the union? A. I did not involve the company in any way, I was speaking only for myself. The company did not tell me anything about that, I made that remark myself.

Q. And you said you did not think that the company was being fair to those of you who attempted to avoid the unionization, is that right? A. I don't know exactly how that was, no, I don't remember that.

* * *

[1099] *Redirect Examination*

Q. (By Mr. Price) Mr. Kinsey, I will ask you this. If the things that you said throughout this campaign were not just your individual opinion? A. What?

Q. Was it or not your individual opinion, you were not told by Mr. Oeland or anybody? A. Oh no.

* * *

DEWEY COX, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. 639 Pearl Street, Darlington, S. C.

Direct Examination

Q. (By Mr. Price) Mr. Cox, what was your position at Darlington Manufacturing Company during this election and until the plant closed? A. Second hand in the weave room.

Q. Where are you working now? [1100] A. I work for Morgan Mills at Springfield, N. C.

Q. In the same work? A. Yes, the same work I was doing here.

Q. Mr. Cox, during this entire time in this controversy did you or not at any time say to any of these witnesses that have been over here by the Board that Roger Milliken had told you that if the union came in he was going to close the plant? A. No Sir, I never spoke to Mr. Milliken in my life.

* * *

[1101] Trial Examiner: As nearly as you can recall, what did you say, did you say something to O'Neal about the plant closing?

[1102] A. I dont't remember whether I did or not. I had 38 people that I was working and I talked with all of them.

* * *

[1110] ALBERT E. HUTCHINSON, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

* * *

Direct Examination

Q. (By Mr. Price) Do you live here in Darlington now? A. Yes.

Q. Where are you working? A. No where.

Q. You have not got a job yet? A. No.

Q. What position did you hold at Darlington Manufacturing Company during this union campaign? A. Second hand.

Q. How long had you had that job? A. About fifteen years.

Q. Had that particular job fifteen years? A. Yes.

Q. Before that had you worked? [1111] A. As a loom fixer.

Q. How long as that? A. And as a weaver, about 17 years I think, no, about 15 years.

Q. In other words you have been there altogether around 30 years? A. Yes.

Q. What family do you have? A. Just myself and my wife and one boy now. I have four kids besides.

Q. Did you or not receive invitations to attend the union meeting at the famous Mineral Springs? A. A good many of them to start with, the last part I did not receive any.

Q. Now how did you get those invitations? A. At 780 Pearl Street.

Q. How did they come? A. They mailed them to me in an envelope.

* * *

[1112] Q. Did you you go to any of the meetings? A. The first meeting May 6th.

Q. Only one meeting and that was the first one? A. Yes.

Q. Do you remember who was speaking on that date? A. No, I don't know his name. There was a kind of an old gentleman, grey headed. I understood the follow to be a fellow Gossett.

Q. Is that this fellow here? A. Yes, I think that is him.

Q. Do you remember what he was saying at the time in the speech when you were there? A. I was there only about fifteen minutes and one of them said that Mr. Milliken could not shut the mill down, the government would not let him, and I left. I did not want to hear any more.

* * *

[1113] Q. Did you tell any of those witnesses that Roger Milliken had told you and said to you that if the union won the election, that he would close down that mill? A. No Sir.

Q. Did you tell any of them that, yourself, that you knew that it would be closed down? A. No.

* * *

[115] SHIPLEY PASSMORE, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Q. Your address? A. 403 Norwood Street, Hartsville, S. C.

Direct Examination

Q. (By Mr. Price) Mr. Passmore, where are you working now? [1116] A. Springfield, Morgan Mills.

Q. What work did you have here at Darlington during this union campaign? A. I was second hand on the third shift, spinning department.

Q. When did you go to work here at the mill? A. About the 4th of June, I believe, it was 1956.

* * *

Q. I will ask you if at any time you said to any of these witnesses for the government that Roger Milliken had said to you or told you that if the union succeeded in the election that he would close down this plant? A. No.

Q. Did you make that statement to anyone? A. No.

* * *

[1117] TROY J. TOBIAS, a witness for and in behalf of the Respondent, upon being first duly sworn, was examined and testified as follows:

Trial Examiner:

* * *

Direct Examination

Q. (By Mr. Price) Mr. Tobias, what position did you have at Darlington Mills last year? A. Second hand, third shift.

Q. How long had you been there? A. Three or four years, I had been there altogether about 24 years.

Q. You had worked as an employee for a good many years and then made a second hand? A. Yes.

Q. During this entire time from the beginning until the mill was sold, did you ever say to any employee or any of [1118] these witnesses that have been on the stand that Roger Milliken said to you or told you that if the union won the election he would close the plant? A. No Sir.

Q. Did you ever tell them that you knew that Roger Milliken would close the plant? A. No Sir.

Q. In particular did you tell a witness by the name of Mrs. Margaret Truett, that you knew that Milliken would shut the mill down if the union came in? A. No, Sir, I did not.

* * *

[1122] Giles C. Kinsaul, a witness for and in behalf of Respondent, upon being first duly sworn, was examined and tesitfied as follows:

Trial Examiner:

* * *

Q. Your address? A. Route 2, Darlington, S. C.

Direct Examination

Q. (By Mr. Price) Mr. Kinsaul, what position were you holding at the time the mill stockholders meeting and

the directors meeting in September and October were held? A. Second hand in the spinning room.

Q. How long had you been there? A. I had been on that as second hand for about nine months.

Q. Had you worked otherwise in the plant? A. Yes, about 16 years.

* * *

Q. I want to ask you this question, if at any time from the time the union started the campaign until the mill was sold [1123] did you ever say to any of the witnesses who have been on the stand or any employees of the mill that Roger Milliken had told you or said to you that if the union won the election he was going to close the plant, did you? A. No Sir. I never have spoke to Mr. Milliken.

Q. You never have spoke to him? A. No.

Q. Did you ever tell any of them that you knew that the plant would be closed by Mr. Milliken? A. No, I could not have known because I never talked to him.

Q. You did not make that remark to anyone? A. No.

* * *

[1205] BEFORE THE

NATIONAL LABOR RELATIONS BOARD

ELEVENTH REGION

In the Matter of:	
DARLINGTON MANUFACTURING COMPANY ROGER MILLIKEN DEERING-MILLIKEN AND COMPANY, INC. —and— TEXTILE WORKERS UNION OF AMERICA, A. F. L.-C. I. O.	Case No. 11-CA-1071

Post Office Building,
Charleston, South Carolina,
Tuesday, September 30, 1958.

The above-entitled matter came on for further hearing, pursuant to adjournment, at 11:00 o'clock a. m.

BEFORE:

LLOYD BUCHANAN, Hearing Officer.

APPEARANCES:

JOHN M. DYER,	General Counsel, National Labor Relations Board, 1831 Nissen Building, Winston-Salem, North Carolina.
NATHANIEL R. JANES,	90 University Place, New York, New York;
—and—	
BENJAMIN WYLE,	99 University Place, New York, New York, appearing for Charging Party.

[1206] APPEARANCES (Cont'd):

STUART N. UPDIKE, —and— JOHN R. SCHOEMER, JR.,	Townely, Updike, Carter & Rogers, 220 East 42nd Street, New York 17, New York, appearing for the Respondent; Deering, Milliken & Company, Inc., and Roger Milliken;
J. D. POAG, —and— JOHN R. SCHOEMER, JR.,	Price & Poag, Lawyers Building, Greenville, South Carolina, appearing on behalf of Respondent, Darlington Manufacturing Co.

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[1208] PROCEEDINGS

Hearing Officer Buchanan: The hearing will be in order.

This is a formal hearing before the National Labor Relations Board in the matter of Darlington Manufacturing Company and Textile Workers Union of America, AFL-CIO, Case No. 11-CA-1071.

The hearing is being held on remand pursuant to the Order of the Board remanding proceeding to Regional Director for further hearing. That Order is dated December 16, 1957, and is reported at 119 NLRB No. 16.

Will Counsel and other representatives for the parties please state their appearances for the record.

Mr. Dyer: Appearing as Counsel for the General Counsel, John M. Dyer, 1831 Nissen Building, Winston-Salem, North Carolina.

Mr. Janes: Appearing for the Charging Party, Benjamin Weyl, 99 University Place, Attorney for the Textile Workers Union of America, by Nathaniel H. Janes, as Counsel.

Mr. Updike: Appearances on behalf of Respondent, Deering, Milliken, Co., Inc., and Roger Milliken, Townley, Updike, Carter and Rogers, 220 East 42nd Street, New York 17, New York, by Stuart N. Updike and John R. Schoemer, Jr.

Appearances on behalf of the Respondent, Darlington Manufacturing Company, Price & Poag, Lawyers Building, Greenville, South Carolina, By J. D. Poag.

[1209] And John R. Schoemer, appearing also on behalf of Price & Poag.

Mr. Examiner, in connection with these appearances, I would like to make on the record a statement that I made to you prior to going on the record just now.

As we view the Board's remand Order in this case, it is not a case against Darlington Manufacturing Company,

but rather that the case against Darlington Manufacturing Company was heard by you, was decided by you, as reported in your Intermediate Report; and that the decision of the Board to remand this for further hearing goes not to Darlington as such, but rather to the new added Respondents, which were referred to in the offer of proof by Counsel for the Charging Party, namely, Deering-Milliken Company, and Roger Milliken.

This view of the status of Darlington as something of an onlooker at these proceedings is a view, I believe, shared to a large extent by both Mr. Dyer and Mr. Janes. I don't want to put them in a position of sharing in it completely, because I am not sure that they do.

In order to avoid the necessity, therefore, of keeping Mr. Poag here day in and day out for what looks to be a long and protracted trial, I have proposed that Mr. Schoemer, my partner, appear of record as Counsel for Price & Poag in order that Darlington will have representation here without bothering Mr. Poag to come back each day.

[1210] I have done this on the understanding with Mr. Dyer and with Mr. Janes that they do not draw any inference, and they will not ask that any inference be drawn, from the presence of my firm here as token Counsel for Darlington.

That itself is some evidence of a blurring of the corporate issues which are the core issue before you to try.

I have ascertained, I hope, from you, sir, that you yourself in view of the position taken by Mr. Dyer and Mr. Janes will not draw any such inference. And I would like to have this clear on the record so that if there is any misunderstanding about it, it can be met and dealt with now rather than having any problem about it later on.

I also have one further thing that I would like to put on the record in a moment. But perhaps Mr. Dyer or Mr. Janes would like to speak to my last statement.

Mr. Dyer: As Counsel for the General Counsel, General Counsel will not attempt to raise any inference or ask that any inference be drawn on the appearance of Mr. Schoemer on behalf of Darlington.

Mr. Janes: Speaking on behalf of the Charging Party, I would subscribe to what Mr. Dyer has just said about drawing of the inferences. I don't want to go into the other statements that Mr. Updike made at this time, because I don't think it is necessary. But I do want to make it very clear that I do take exception to a number of statements [1211] made there as to the understanding or the interpretation of the Board's Order.

And my agreement not to go into the inference as to the representation by Counsel should not be also an inference held against me that I subscribe to what Mr. Updike has said with reference to the interpretation of the Board's Order.

Mr. Updike: Mr. Examiner, I certainly didn't ask Mr. Janes to subscribe to that.

Now, may I change to one other topic?

I would like to have it appear on the record that since the Board's Order of decision taken, 1957, and since the issuance of the amended complaint naming as additional respondents Deering, Milliken and Company, and Roger Milliken, Mr. Poag's firm and mine have made available to Board's Counsel for his inspection the 1955, 1956 and 1957 records of the Darlington Manufacturing Company together with the records of Deering-Milliken Service Corporation, Deering-Milliken Research Corporation pertaining to Darlington. These records numbered and total in

excess of ten-thousand sheets, of which about 2600 was selected by Mr. Dyer for his further examination and study.

And, if he desired to do so, for copying.

To a large extent, the case as Mr. Dyer will present it to you is a case made from documents so obtained by the Board.

[1212] Mr. Dyer: I might say, Mr. Examiner, this arrangement by which I was allowed to view these records and to obtain parts of them was made with the kind cooperation of Counsel for both the Union and for the various Respondents in order to avoid the necessity for a protracted subpoena proceedings.

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[1232] Hearing Officer: I think the question is this, Gentlemen.

If "A" and "B" occupy a single employer status, the question is whether service on "A" or inclusion of "A" in a proceeding covers "B" so that "B" will be bound by any determination.

I think the definition of single employer or just the word "single" suggests the answer. And entirely with respect to this practical aspect distinguished from the matter of form, I think we have jurisdiction of any party which with the Respondent Darlington Manufacturing Company occupies a single employer status.

Mr. Updike: I don't share that concept, sir. Because [1233] as it seems to me, we are going to be confronted, perhaps in the course of this case, with a concern that is called the "Monarch Manufacturing Company".

Monarch Manufacturing Company has got five-or six-hundred stockholders. The stockholders are widely spread across the country. Darlington itself has, as I recall, two or three hundred stockholders. They are also widely spread.

It seems that to start out on the assumption that if the ultimate finding is that "A" and "B" are the same, that "B" ought to have some notice of the fact that he is being charged with being the same as "A".

And Monarch is not named as a Respondent in this Complaint. There are only two additional respondents; Roger Milliken individually, and Deering-Milliken and Company. And I wish to make it clear on the record that we do not conceive that the Board is now asserting any jurisdiction with respect to any other concern or concerns than those which are named in this amended complaint.

Hearing Officer: That is another question. Or perhaps it is another facet of the same question.

* * *

[1235] Mr. Updike: In response to what Mr. Dyer said, if I understand his position to be that by some kind of mysterious ties, Monarch's rights are being adjudicated here, or any one of a number of different concerns, I wish to make it [1236] perfectly clear that I don't represent them, and they are unrepresented here.

Before the Board can take action, effective action, with respect to them, it is my view that they are entitled to notice as a matter of due process.

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[1240] Hearing Officer: I don't want the last word gentlemen. And my statement of it undoubtedly will not be as good as that by Counsel. But perhaps I can state things more simply.

Are we limited here to the question of remedy?

Are we agreed on that?

Mr. Dyer: If you considered incidental to the remedy is the filing of the single employer status, yes, sir.

* * *

[1242] AFTERNOON SESSION

2:25 p.m.

Hearing Officer Buchanan: Is it correct to say, Gentlemen, that in the main there will be no issue concerning the evidence offered, the issue being the conclusions to be drawn from the evidence?

Mr. Dyer: I believe that is essentially correct, sir, because all of the evidence which General Counsel is going to produce has come from the records of Darlington and Deering-Milliken as mentioned by Mr. Updike this morning.

Mr. Updike: I do think Mr. Dyer that should be supplemented by reference to the research corporation and the service corporation?

Mr. Dyer: All right.

Sir, at this time I would like to call Mr. Minot Milliken, under Rule 43(b).

Whereupon,

MINOT K. MILLIKEN, called as a witness, having been first duly sworn, was examined and testified as follows:

Hearing Officer: State your full name.

The Witness: Minot K. Milliken.

Hearing Officer: And your address?

The Witness: 186 East 64th Street, New York City.

Mr. Updike: May I have on the record with respect to [1243] Rule 43 what in your view that rule encompasses?

Mr. Dyer: Rule 43(b) is one of the Federal Rules of Procedure with regard to calling adverse witnesses.

Mr. Updike: All right.

Direct Examination

Q. (By Mr. Dyer) Mr. Milliken, what is your position with Deering-Milliken and Company? A. I am a Vice President, the Treasurer and a Director.

Q. Vice President, Director and Treasurer in Milliken Company? A. Yes, sir.

Q. Now, Deering-Milliken and Company is located essentially in New York? That is the main office, is that right? A. Yes, sir.

Q. And where else does the company have offices? A. Are we talking now as of 1956, Mr. Dyer?

Q. Suppose you tell us both? A. The Los Angeles, California; Dallas, Texas; Chicago, Illinois; Cleveland, Ohio; St. Louis, Missouri; Atlanta, Georgia; Camden, New Jersey. I believe that is all.

My question was I am not sure whether the Camden Office was open prior to or subsequent to the autumn of 1956. But I think it was prior to.

Q. In addition to offices there, the company also does business through selling agents throughout the world in about [1244] 29 different countries; is that right? A. Well, there are products sold through some agents of the Deering-Milliken Export Corporation.

Q. I see. A. And of course there are additional products sold by Deering-Milliken Export Corporation to countries without agents?

Q. I see.

But Deering-Milliken itself has agents in other countries? A. No, sir, I don't believe it does.

Q. It does not? A. No.

Q. It is merely the export corporation which does? A. Yes, sir.

Q. Now, can you describe for us the set-up of Deering-Milliken and Company giving us the various departments which it has and how they are set-up; how the various subdivisions are set up? A. Well, let me start with the sales function of Deering-Milliken, if I may.

And if I get going into too much detail, please stop me, because I don't know what detail you are interested in, Mr. Dyer.

Basically there are two subdivisions of the selling forces in Deering-Milliken; one the greige goods sales and another the actual—actually is another subsidiary corporation; [1245] Milliken Woolens, Incorporated which sells finished goods.

Do you want me to go into breakdowns of the selling?

Q. Take the Greige Goods Department and break that down into its subdepartments. A. All right.

Basically it breaks down into three subdivisions; one, the print cloth sales, second the heavy cotton sales, and thirdly, fine goods sales.

Fine goods includes synthetic and blends of cotton synthetics and combed cotton fabrics. Those are the three major subdivisions.

Q. All right. Can you tell us who is in charge of the sales department overall? A. Of the greige goods sales?

Q. Yes. A. Mr. J. C. Harris.

* * *

[1246] A. Mr. A. J. Dillard is the Vice President in charge of Sales in Milliken Woolens.

Q. Now in the print cloth sales, who is the head of that department? A. Mr. A. J. May.

Q. And the heavy cotton? A. At the time I am speaking of it was Mr. A. A. Wright.

Q. Mr. Wright has since been replaced? A. Yes, sir, he has.

Q. And how about the fine goods? A. Well, there is Mr. W. R. Kuenzel who was in charge of that time. Mr. Kuenzel has since deceased.

Q. Now, are each of these departments further broken down? A. They are to varying extents, yes, sir.

Q. Can you tell us what those are? A. Well, broadly in regard to the merchandising, the men who are assigned to the merchandising of certain mills' production and sales, the particular responsibility for sales of certain mills and products.

Q. Let me see if I understand you.

For instance, in the print cloth sales, there are certain mills which produce print cloths. I think Darlington was among them? A. Yes, sir.

Q. How many mills were producing print cloths at that [1247] time? A. Selling through Deering-Milliken? A. Yes.

Q. I believe four.

Hearing Officer: Darlington and three others?

The Witness: Darlington and three others, yes, sir.

Q. (By Mr. Dyer) Now, for each one of these mills what was the term given to the sales person at Deering-Milliken? Was he called the "office manager"? A. No, sir.

Q. What was he called? A. Well, I think the "sales merchandiser" or "sales manager" of that particular mill, I believe. I am not absolutely sure of that, but I believe that is right.

Q. In other words there was one individual from the sales force who was assigned to sort of take care of the sales from each one of these mills, is that correct? A. It was his primary responsibility, if I may say it that way.

Q. In addition to that primary responsibility, he also sold goods from each of the other mills? A. Endeavored so to do, yes.

Q. Now, did the four men who handled the print cloth—I take it there were just these four that did that; is that right?

[1248] You only had four men who were handling print cloths? A. Well, I have said that I believed there were four mills selling through Deering-Milliken Manufacturing Print Cloths.

I believe I am also correct in stating that each mill selling through the Print Cloth Division of Deering-Milliken had a sales merchandiser responsible for the sales of the mills for which they were primarily responsible.

Q. Well, did these men endeavor to sell any of the heavy cotton goods as well? A. On occasion, certainly, yes.

Q. And fine goods? A. To very limited extent, I believe. There was not as much correlation of the fabric and uses in the fine goods.

Q. Well, under heavy cottons, would that encompass twills, twist, and so on? A. Yes, sir.

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So you had a Print Cloth Department, a Heavy Cotton Department and a Fine Goods Department? [1249] A. Yes, sir.

* * *

Hearing Officer: Back on the record.

We were told officially that the person in charge of sales for each of these four mills, that we are speaking of is called the "Mill Merchandiser."

Q. (By Mr. Dyer) Now in similar fashion did you have mill merchandisers for each one of the mills producing heavy cottons? A. Yes, sir.

Q. And the same way for each one of the mills producing fine goods? A. Yes, sir.

Q. Now, in setting up sales meetings—I imagine you have sales meetings of the various personnel who are handling these goods?

Did the Print Cloth Department just meet by itself, or [1250] did it meet in conjunction with the others?

A. I believe I am correct when I state that the Print Cloth Department as a rule would meet with the Sales Personnel of the Heavy Cottons Department.

Q. In other words, those two were considered more together than the Fine Goods Department? A. The problems were more similar in nature, yes, sir.

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Now, in addition to the breakdown you have given us so far in the sales, did you have any other sub-departments that would come under sales? A. Now we are talking about greige goods sales for the moment, I presume?

Q. All right. A. Although not greige goods, a selling divison of Deering-Milliken and Company was the sale of diapers and crib sheets, the Infant Products Department.

Hearing Officer: Diapers and what?

The Witness: Crib sheets.

I have made reference to the sales made by Deering-Milliken's subsidiary, Deering-Milliken Export Corporation.

[1251] But those, again are not necessarily—or a large majority are not confined to greige goods. I am not trying to wander around the block.

Q. (By Mr. Dyer) The Export Corporation would mainly sell finished goods? A. Yes, sir.

Q. There would be some greige goods but not too much; is that the idea? A. Yes, sir.

I am not sure that they sell any greige goods.

Q. Now, under the Infant Products Department, what line would that come under? Would that come under Mr. Harrison in greige goods, or who? A. At that time I believe it did, yes, sir.

Q. Has it since switched? A. Yes, sir.

Q. It is under what department now? A. Mr. Dillard's.

Q. I see it has gone under Milliken Woolens? A. Yes, sir.

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[1253] Q. (By Mr. Dyer) Now are there any other departments that report either to Mr. Harris or to Mr. Dillard besides the ones you have mentioned so far? A. Yes, sir. Reporting to Mr. Harris, the Quality Control Department [1254] for Greige Goods headed by Mr. Shotwell.

Q. That is the Quality Control Department? A. Yes, sir. The Fabric Development Department, which was for many years headed by Mr. Kuenzel. And although Mr. Kuenzel, a few years ago took over the sales administration of the Fine Goods Department, he delegated his responsibility to more than one person in the Fabric Development Department. The laboratory in New York performed services for both Mr. Dillard's and Mr. Harris Department. The Order Departments did not report to the sales heads, but, of course, they were responsible for much of the paper-work that was done for the Sales Departments.

Q. Did you call that the Order Department? A. The Order Department.

Q. Thank you. A. Of course that is true of a lot of departments, that although they may not report to Mr.

Harris, they render services to Mr. Harris in connection with selling the product.

* * *

[1255] Q. (By Mr. Dyer) Mr. Milliken, to get to another topic, then; can you give us a very short summation of the Milliken family, who they are, and the history of the corporation?

In other words, if you would start with Seth Milliken and come down with the descendants? [1256] A. Seth Milliken was the father of Seth Milliken, Gerrish Milliken and Margaret Milliken, now Mrs. Hatch.

Seth Milliken was the elder son and has five children. I am the fourth child.

Are you interested in my brothers and sisters?

Q. You are the son of Seth? A. Yes.

Q. Are there any of your brothers and sisters besides you who are in the business at the present time? A. No, sir.

Mr. Updike: It is a fact that your father was a medical doctor and not in the business at all; isn't that correct?

The Witness: That is also correct.

Mr. Dyer: Has he ever taken any interest in the Deering-Milliken business?

The Witness: No, sir.

Q. (By Mr. Dyer) What about Gerrish? A. Gerrish Milliken, my uncle, before his death had four children. Roger, Gerrish Jr., and Anne, and Joan. There was a third daughter, fifth child, who died at an early age.

Q. And how about Mrs. Hatch? A. Mrs. Hatch had five children of whom three died. And she now has Mrs.—her daughter Margaret, Mrs. Moore, and her son Richard.

Q. Will you tell us whether either Margaret or Richard [1257] are in the business; connected with Deering-Milliken in any way? A. Neither one is.

Q. What is the status on Joan and Anne? A. No.

Q. Neither one of them are connected with the business? A. No.

Q. Therefore of all the [Milliken family] descendants, it is only yourself, Roger Milliken, and Gerrish, Jr., who are presently in the business; is that right?

Does Mr. Hatch have an active interest in the business? A. No, sir.

Q. Mrs. Hatch does not? A. Mrs. Hatch does not. Mr. Hatch is an officer and director of Deering-Milliken and Company, the office being Vice President.

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[1258] Q. In the body of the letter, reference is made to the D. M. Welfare Foundation. Can you tell us what that is? [1259] A. It is now known as the Deering-Milliken Foundation. It was then known as the Deering-Milliken Welfare Fund. It is a foundation organized for charitable purposes to which individuals and corporations make charitable gifts. It is administered by the City Bank Farmers Trust Company of New York.

* * *

Q. All right. You said various corporations contribute to it. Is Darlington among them? A. Yes, sir.

Q. You said it is used for charitable purposes? A. Yes, sir.

* * *

[1260] A. Well, let me ask this first. Were most of the monies received from the corporations affiliated with Deering Milliken?

[1261] A. Most of the funds were received from the corporations selling through Deering-Milliken or from Deering-Milliken itself or from individuals. I, for instance, was an individual that made gifts, personal gifts to the foundation.

* * *

A. No, sir. The operating head, the executive head of Deering-Milliken and Company is Roger Milliken, President.

Q. I see.

* * *

[1264] The Witness: Deering-Milliken and Company acts as selling agent and factor for Darlington Manufacturing Company. The factoring relationship might be termed a banking, or pseudo-banking relationship to Darlington.

In connection with that—in connection with the factoring responsibilities of Deering-Milliken Company, they undertake to check the credits of the various customers that the selling house might be selling for the account of the Darlington Manufacturing Company.

In addition, Deering-Milliken assumes all the credit responsibility, and immediately upon receiv-

ing a copy of a Darlington Invoice, Deering-Milliken and Company credits the account of the Darlington Manufacturing Company immediately. And the collection of the account from the customer is the factor's, namely, Deering-Milliken and Company, responsibility.

In the unhappy event the customer doesn't pay the account in full, Deering-Milliken and Company suffers the credit loss.

As such, there is great—or there are many credits and debits to the Darlington Manufacturing Company Accounts kept on Deering-Milliken books.

And as Treasurer of Deering-Milliken and Company, it was my responsibility to as efficiently and as foresightedly as I could administer the funds nominally in Deering-Milliken and Company's name and on deposit with a number of New York [1265] and other banks in the country.

And in order to do this job intelligently, efficiently and foresightedly, it was important for me to know as well in advance the estimated means which Darlington, Mr. Oeland Treasurer of Darlington, expected Darlington might be calling upon us, for instance, for the purchase of cotton raw materials.

The credit balances would be reduced on Deering-Milliken's books.

For example a large period of the year when the cotton inventory is declining and the sales are continuing in a uniform or increased rate, the credits to Darlington's account go up. So that I as Treasurer of Deering-Milliken found it very advisable and, I repeat only through this could I efficiently project the amount of money that Deering-Milliken and Company would have to be insured at all times that

whenever a call should be received by Darlington to have it available. Because all this money I am referring to that Darlington has on deposit with Deering-Milliken is payable on demand.

Deering-Milliken pays interest to Darlington Manufacturing Company on the monies left with Deering-Milliken.

Hence, it is to Darlington's advantage to leave as much as possible. Which means, however, we have to be ready promptly to make cash available in a cotton market, for example, for cotton raw materials purchases made by Darlington. That was a long answer and I apologize. But this was in line with my [1266] asking Mr. Oeland to give me as best he could at that time the forecast of figures.

Q. (By Mr. Dyer) You are asking him for his forecast of figures.

What are those figures for? Are those just for cotton purchases or are they for all—— A. No. The figures I am asking for really net out, sir, to the sales as projected which reflects the amount of money that will be credited to Darlington's Account.

Now, to be absurd for a moment, if there are no expenses on behalf of the Darlington Manufacturing Company, the amount of money left for Darlington's Account at Deering-Milliken and Company will enlarge. And it is my task as Treasurer to know that and how to best utilize that money.

* * *

[1268] Q. (By Mr. Dyer) Mr. Milliken I now hand you a letter addressed to you, dated September 30, 1955 from Mr. Oeland, [1269] and I ask you if you received a copy of that letter? A. Yes, sir.

* * *

Q. (By Mr. Dyer) In the first paragraph he refers to a discussion about your request for estimated profits. Was that by letter or phone? A. I have no way of knowing specifically, Mr. Dyer.

Q. In other words you made a request for Darlington's estimated profits before taxes for the fiscal year ending November 30, 1955, is that correct? A. Yes, sir.

Q. Can you tell us why Deering-Milliken would make a request of the mill for that? A. I can tell you exactly why I made this request. I made this request, the request of my cousin Roger Milliken, to all the mills which Deering-Milliken and Company factored to present for year-end tax review to Mr. Phillips who was Deering-Milliken's tax attorney and the tax attorney of many of the mills, in fact, all of the mills, for tax purposes for year-end dividend declarations.

Mr. Updike: Can we put Mr. Phillips' name in record. Is he Percy W. Phillips, of the firm of Ivins, Phillips and Barker in Washington?

[1270] The Witness: Yes, sir, that is correct.

Q. (By Mr. Dyer) Then this identical request was made of all the mills that sold through Deering-Milliken? A. I believe so, sir. The request of Roger Milliken for all the mills, yes.

* * *

Q. Now, further in that second paragraph, Mr. Oeland refers to the fact that at Darlington they are trying to expense all replacement items rather than to capitalize them.

Was this done just at Darlington, or did all of the mills associated with Deering-Milliken do the same? A. As far as I know. And I don't claim to know all the answers. But as far as I know, the mills expensed what was expensable under the existing tax laws to the greatest extent that it was expensible.

* * *

[1273] Q. (By Mr. Dyer) Mr. Milliken, can you tell us on what basis contributions were made to the welfare fund?

Was there any particular method or ratio on which the mills made contributions to the fund? A. The mills?

Q. That is right. Or the corporations, rather? A. The decision of the individual boards of directors.

Q. I see. Therefore, we would have to know—well, that is all right. Thank you.

Q. One further thing. Would the Board of Directors have to approve it at a board of director's meeting which would be shown in their minutes? Or do you know? A. I can speak for Deering-Milliken and Company.

Q. Yes. A. I know that the Board of Directors do approve gifts in blank amounts, not $12 to this and $17 to that, but in blank amounts of money, let us say, to the Deering-Milliken Foundation, and maybe there is another worthy charity cause. But that would be approved by the Board of Directors.

Hearing Officer: When you say "in blank amount", do you mean it is to the Deering-Milliken Foundation? Do you mean that amount is left blank?

The Witness: No. I am sorry, sir. The Board, as I recall it, instead of saying so much to one charity and so much to another, would say $50,000, which would be the total of all [1274] charitable gifts.

Mr. Dyer: Then who would apportion those to the D. M. Welfare Foundation?

The Witness: The foundation might be the recipient of the gift. It might not be.

Hearing Officer: It would be the foundation who would in turn apportion it among the spetific charities; is that correct?

The Witness: No, sir. I don't want misunderstanding on this. The Board of Directors of Deering-Milliken and Company approved the making of a gift from Deering-Milliken and Company of, let us say, a thousand dollars to the Deering-Milliken Foundation. The gift is done. It is irrevocable.

At some future date, the advisory committee of the Deering-Milliken Foundation makes recommendations to the City Bank Farmers Trust Company that the foundation give a hundred dollars to the American Red Cross, for example.

Q. (By Mr. Dyer) Then is it true that all donations to charity from Deering-Milliken are made to the Deering-Milliken Welfare Foundation, and from there they are apportioned out as the advisory committee advises? A. I am not sure that "all" is correct. Substantially all.

* * *

[1275] Q. Well, in your capacity as a Board member with other mills which are affiliated with Deering-Milliken, did they follow the trend set up by Deering-Milliken which you mentioned earlier?

Mr. Updike: Well, I would like to have you rephrase that question. I object to its form, "which are affiliated [1276] with Deering-Milliken" until we get into some definition of words like "affiliated" and so on. If you say other mills that sell through Deering-Milliken, I would have no objection.

Mr. Dyer: All right. Mills that sell through Deering-Milliken: is that the term you want?

Mr. Updike: Right.

Q. (By Mr. Dyer) All right. Mills that sell through Deering-Milliken? A. Not all those mills do make all their charitable gifts to the Deering-Milliken Foundation. There is one, I believe that has a foundation of its own name, to which it makes charitable gifts.

* * *

[1278] (By Mr. Dyer) Mr. Milliken, I now hand to you an exhibit which has been marked for identification General Counsel's Exhibit B-4, dated September 14, 1956, and addressed to Mr. Oeland from yourself. Do you recall writing this memorandum? A. Yes, sir.

Q. Is this in the same vein that you have described previously? In here you are asking for the pre-tax financial results for Darlington for the year ending December 2nd, 1956.

Hearing Officer: Did you say pre-tax?

Mr. Dyer: Pre-tax financial result, yes.

Q. (By Mr. Dyer) Again for what purpose was this? A. This was asked for a specific purpose, because a day or two before the Board of Darlington had met, and I returned to New York, Mr. Roger Milliken asked me to check again with Mr. Phillips to see the tax consequences and results should the stockholders vote to liquidate the Darlington Manufacturing Company.

And it was with that purpose in mind that I wrote to Mr. Oeland immediately upon my return to New York to give Mr. Phillips the best possible opportunity to review the situation as Mr. Oeland would submit the figures.

Q. Now, let me ask you this: When you received these figures for 1955 and 1956 from Mr. Oeland, did you send them to your own tax department at Deering-Milliken before sending [1279] them to Mr. Phillips? A. Well, the Administrative mechanics could have been that they would go from Mr. Kable's desk to be mailed to Mr. Phillips or from my desk to be mailed to Mr. Phillips.

Q. What I am getting at is this, Mr. Milliken: Did your tax department at Deering-Milliken in New York review the figures as presented by Darlington before they were sent to the attorney? A. Well, review in the sense that they look at them to see if perhaps there are any glaring or apparent errors or in substance or in form. But it was Mr. Phillips' review that I had been asked to get on this particular occasion. And in fact on past occasions.

Q. Well, let's go back to 1955 for a minute? A. Yes, sir.

Q. When Mr. Oeland sent in those figures for 1955 were they not the same type of figures sent in for all the mills selling through Deering-Milliken to you? A. For subsequent review by Mr. Phillips?

Q. That is right. A. I believe so. They were assembled in large measure by either Mr. Kable or by me and Mr. Kable, who, incidentally has not been identified here as the Secretary of Deering-Milliken and Company and as the head of the Tax Department, would [1280] communicate with Mr. Phillips or I would communicate with Mr. Phillips.

Q. Is Mr. Kable by chance a lawyer? A. I believe not.

Q. He is an accountant? A. Yes. He is a tax accountant of some repute and long standing.

* * *

A. Yes, sir.

Q. Is this the reply of Mr. Oeland to your letter which we have marked as General Counsel's Exhibit B-4? A. I believe that it is, yes, sir.

Q. Now in the last paragraph of this letter, Mr. Oeland refers to the fact that he has discussed with Mr. Kable the question of expensing items. Can you tell us whether this was something that was regularly done, that the mill treasurer would discuss questions whether to capitalize or expense an item with Mr. Kable? [1281] A. Mr. Oeland had discussed with Mr. Kable and sought Mr. Kable's advice as to how he would treat a certain item for tax purposes; that is correct.

Q. Does Mr. Kable regularly give such advice on expensing or capitalizing to the mills itself in Deering-Milliken? A. When such advice is requested, Mr. Kable does his best to give advice, and good advice.

* * *

(The document above-referred to was marked General Counsel's Exhibit B-6 for indentification.)

Q. (By Mr. Dyer) I hand you a piece of paper marked General Counsel's Exhibit B-6 for identification, being a memorandum, copy of a memorandum, dated March 12, 1956, addressed to several individuals from Mr. Shotwell. Do you know whether this originated from the New York office from Mr. Shotwell's Department? A. Well I feel certain it emanated from Deering-Milliken [1282] and Company, Mr. Shotwell's Department, yes, sir.

Q. Now, the names of the persons at the top, Marshall Stone, W. A. L. Sibley, J. J. Norton, Jr., and J. M. Oeland; can you identify the first three gentlemen for us? A. Mr.

Marshall Stone is the Treasurer of the Pacolet Manufacturing Company. Mr. W. A. L. Sibley is the Treasurer of the Monarch Mills.

Mr. J. J. Norton, Jr., is the Treasurer of the Gaffney Manufacturing Company.

Q. This memorandum is in regard to Mr. Shotwell's taking over the quality control department? A. Yes, sir.

Q. At Deering-Milliken, is that right? A. Yes, sir.

Q. Now, can you tell us the functions and purpose of the Quality Control Department at Deering-Milliken? A. I urge you to interrupt me if I get long-winded.

The Quality Control Department of Deering-Milliken and Company, under Mr. Shotwell—which, incidentally, is the department concerned only with greige goods as opposed to finished goods—is to work diligently on the settlement of claims.

For example, if a customer has any question on the quality of goods sold by Deering-Milliken for the account of, say, Darlington and the customer is dissatisfied or in any [1283] way not pleased with the—or claims that the goods are not as sold, it is Mr. Shotwell's job or some one working with Mr. Shotwell to go to the customer. And prior to this time——

Mr. Updike: What is "this time"?

The Witness: Excuse me. March 12, 1956.

Mr. Shotwell's Department was engaged in the Quality Control of the Fine Goods sold by Deering-Milliken. And over a period preceding time, more and more occasions arose when Mr. Harris would ask Mr. Shotwell to get into a cotton goods problem. And it resulted that Mr. Harris wanted Mr. Shotwell to officially take over the processing of claims for the cotton fabrics as well as the fine goods.

In addition to that, Mr. Shotwell was experienced in going to finishing plants who do commission finishing for a vast number of customers in the Textile Industry, to test, for example, a new fabric that might be made by a mill and offered for sale by Deering-Milliken.

You can't tell much about it in the greige.

So Mr. Shotwell would expedite the fabric and even make recommendations to the Commission finisher or how best to finish this particular fabric so that we would be in the position of anticipating the customer and saying, well, now, this is a piece of greige goods and what it is going to be like finished.

We wanted to know the—the mills treasurer and [1284] manufacturer wanted to know. And that was another one of Mr. Shotwell's responsibilities.

Those are, as I understand it, the broad classification of Mr. Shotwell's functions.

Q. (By Mr. Dyer) What does Mr. Shotwell utilize in his functions? You say he and some others in this Department?

Do they use a laboratory to detect what has gone wrong with the goods or something like that? A. Well, in New York we have an area for Mr. Shotwell that he can call in pieces of goods from the customer, or he can call in pieces of goods from the finishing plants, the commission finishers, and look at the cloth in Deering-Milliken's office in New York

He certainly can utilize the facilities in the laboratory which Deering-Milliken maintains and frequently does utilize those services.

Q. Most of the time it is a visual inspection, is that right? A. On claims of faulty merchandise, most of the time. I would think the answer is most of the time, yes.

Q. I think it was stated that this Quality Control Department originated in 1950; is that correct? A. I think that is correct.

Mr. Updike: At least as early as 1950.

Q. (By Mr. Dyer) Had the laboratory been established before [1285] that, or was it established since that time? A. The building that housed the laboratory, I think in 1940 the laboratory was an original part of that in New York.

* * *

[1286] Q. Wouldn't most of your complaints come from customers as the goods were being finished at their finishing houses, whichever they were? A. I am glad you mentioned that. The complaints come in and Mr. Shotwell is hard pressed at times to determine whether the complaint is warranted by faulty finishing or by faulty weaving, because in one case it is one responsibility, and in the case of faulty finishing it is either the responsibility of the commission finisher or the converter customer.

Q. All right. A. It is certainly not the mills who wove the goods.

Q. Now, when Mr. Shotwell makes his determination after looking at the cloth, suppose he things that it is the mill's fault; that the weaving was imperfect. What does he do then? [1287] A. A He would seek the recommendation—he would make his recommendation as to how the matter should be resolved to the mill treasurer, in question which might or might not be bought by that mill treasurer.

Hearing Officer: By the what?

The Witness: Might not be bought by the mill treasurer in question.

Mr. Updike: You mean might not be accepted by it?

The Witness: I am sorry. Might not be accepted by it. That was a little slang. I apologize, Mr. Dyer.

Mr. Dyer: No apology necessary.

Q. (By Mr. Dyer) Does Mr. Shotwell make the reports directly to the mill treasurers, or does he make his reports to the sales manager, that is, Mr. Harris? A. Both. Certainly Mr. Harris is very interested to know what Mr. Shotwell thinks about the complaint in question. But Mr. Shotwell is on the firing line. He is very experienced. And he can better convey the information to the mill treasurer, because he is right there to answer specific questions on the telephone or through letters or in person, as the case might be.

Q. Now, where it is decided by Mr. Shotwell that the fault lies in the finishing, what process is followed there? A. He also reports that back to the mill treasurer and says, I don't think that this is your fault at all. My [1288] recommendation is—and I have told the customer in question—is that we don't feel that it is the mill's fault. And, hence you had better look for recourse to the finisher or whoever else is involved.

* * *

[1289] Q. (By Mr. Dyer) In Exhibit 6, Mr. Shotwell talks about arranging a meeting with these gentlemen. Do you know whether such a meeting was arranged? A. Whether it actually took place?

Q. Yes. A. I do not. I know Mr. Shotwell generally took over the Quality Control functions for the cotton fabrics.

* * *

Q. (By Mr. Dyer) Now, the second page is a letter addressed to Mr. Shotwell from Mr. Oeland dated May 10, 1958.

* * *

[1290] Q. (By Mr. Dyer) Now, in this letter, Mr. Shotwell talks about truth marks and suggests that they be adopted.

Hearing Officer: Truth marks?

Mr. Dyer: Truth marks, yes.

Q. (By Mr. Dyer) And suggests that they be adopted by the—that this be the print cloth mills. A. Yes, sir.

Q. Now, can you tell us whether Mr. Shotwell's suggestion was followed? A. Specifically, no. But indication of Mr. Oeland's reply, the comments in pencil, my educated guess is yes.

Q. Well, let me ask you this: Would this be a sample or an example of the services rendered by the Quality Control Department of Mr. Shotwell to these mills? A. I think so, yes.

* * *

[1291] Q. Did you know whether all of the goods sold through Deering-Milliken do have truth marks at this time? A. I know that—I believe the answer is yes. But I would rather you got that confirmed elsewhere.

* * *

[1316] Q. (By Mr. Dyer) Mr. Milliken, I have just handed you an exhibit marked for identification as General Counsel's B-9-A, B, C, and D, the new Organizational Chart of Deering-Milliken.

I ask if this was prepared with your help? A. It was.

Q. Now the first page, 9-A, does that set out the main officers of Deering-Milliken? A. Yes, sir.

Q. Now, can we go through them this way.

Mr. Kingsley is listed as a vice president? A. Yes, sir.

Q. What particular function does he serve in his capacity as vice president? A. Mr. Kingsley is, if I may coin a phrase, vice president without portfolio. He is a man of sixty-three, and he has had vast experience in banking and retailing and merchandising fields, and he has been with Deering-Milliken and Company for I believe fifteen years. And he has contributed substantially to the organization.

Q. I was wondering what particular department of Deering-Milliken does he advise? Would that be Mr. Kable's [1317] Department? A. No, sir. As the chart indicates, Mr. Kable's Department reports to me.

Q. I see. But you say he has had a lot of experiences?

Hearing Officer: I think so that it would be clear to anyone who reviews the record, the last reference was to General Counsel's B-9-B.

Mr. Dyer: That is right.

Q. (By Mr. Dyer) Getting back to General Counsel's B-9-A, just what is his capacity in advising in these fields? Who does he advise? Does he advise you or who? A. With some frequency, Mr. Dyer.

Q. I see. In other words, his advice goes more or less to the Treasurer's Department, is that right? A. No. Perhaps I should say that Mr. Kingsley is—I am not sure he would like to hear this—but in quotes, "an elder statesman."

Mr. Kingsley, because of his vast experience over the years, is in frequent consultation with me, with my cousin, Roger Milliken, to a lesser extent but with some frequency Mr. Harris, in sales; and also Mr. Dillard in sales.

Q. I see. And he just serves as a general know-it-all man? A. Well if we can smile in the answer, I will say yes.

Q. I didn't mean the phrase in the sense it is usually used.

Hearing Officer: While we are using terms that Mr. [1318] Kingsley probably wouldn't like, let's say he is a general factotem.

Q. (By Mr. Dyer) Now, I note that there is a chart, General Counsel's B-9-B, which refers to you? A. Yes, sir.

Q. And General Counsel's B-9-C refers to Mr. Harris? A. Yes, sir.

Q. Can you tell us just where Mr. G. H. Milliken would fit into this I see he is listed as vice president of Automotive Sales? A. That is reflected on General Counsel's B-9-A. Mr. Gerrish Milliken is shown in the chart form as being the vice president in charge of automotive sales.

Q. Can you tell us what automotive sales refers to? A. Yes, sir. It is the sale of fabric to the automotive industry for automobile interior.

* * *

Q. Is this distinct from the Milliken Automotive Fabrics, [1319] Incorporated? A. Milliken Automotive Fabrics, Incorporated was a corporation for which my cousin, Gerrish Milliken, sold through Deering-Milliken Company. That corporation is no longer in existence as such.

Q. Would his department cut across several lines? In other words, looking to the—— A. Well, perhaps I can answer your question by saying that the large majority of the fabrics sold to the automobile trade are manufactured in Abbeville Mills in Abbeville, South Carolina.

Q. In other words, then, Mr. Gerrish Milliken acts mainly for the Abbeville Mills; is that correct? A. That is correct.

Q. I see.

Mr. Updike: Was this also true in September and October of 1956?

The Witness: Primarily, yes, sir. I am not sure, Mr. Updike, when Milliken Automotive Fabrics ceased to exist as a corporate entity. But it was not far from early 1957 or late 1956, as I recall it.

* * *

[1328] Q. Now, the next thing is: can you tell us under what department of the sales corporation Abbeville Mills was in 1956?

Mr. Updike: Department of the Sales Corporation.

Mr. Dyer: Pardon me. Of the Sales Department.

What I am trying to find out is this: Whether Mr. G. [1329] H. Milliken's position crossed the sales department lines in some respect.

The Witness: No, sir. He sold automotive fabrics exclusively.

Q. (By Mr. Dyer) Did Abbeville produce other fabrics which were sold through other departments than the sales department? A. Yes. Abbeville produced other finished fabrics which were sold through Milliken Woolens.

Q. I see. In other words to come right down to it, Abbeville had two, which we call merchandise men at that time? A. Selling departments, yes.

Q. All right. Now, can you tell us what position Mr. H. A. Hatch, as vice president, had? A. Yes, sir. My uncle Mr. Hatch is a man in his eighty-third year, and was during his business life, an associate of my uncle, Mr. Gerrish Milliken. And he has been semi-retired for a number of years.

And at the moment plays less than an active part in the business. He is, as you know, no longer a young man.

Q. Well, in what—in that capacity, shall we use the term "general factotem" again? A. A relatively inactive general factotem.

Q. All right, fine.

Now, may we turn to General Counsel's B-9-B, the second [1330] page.

Can you tell us just what Mr. Flanigan does as the controller of Deering-Milliken? A. Yes, sir. Mr. Flanigan was in charge of the accounting department. He reported to them—may I put it that way, please—he reported to the accounting department of Deering-Milliken.

As indicated on General Counsel's B-9-B, the personnel group insurance, the building department which is 240 Church Street, the maintenance department, the office management, which had as its component parts the eight various subdivisions shown on the schedule.

Q. May I ask: When you refer to the group insurance in the exhibit, is that group insurance for the employees of Deering-Milliken and Milliken Woolens exclusively? A. Deering-Milliken and Milliken Woolens exclusively, yes, sir.

* * *

[1332] Q. Now in factoring, you have Mr. J. R. Smith as Vice President. Can you tell us exactly what the credit and factoring department does?

I mean—— A. I would be glad to try, sir.

As I mentioned yesterday the functions—I will try not to be as long-winded as I was yesterday—the functions of the credit and factoring department are to maintain a credit department to check on the credit standing of customers or potential customers of Deering-Milliken and Company.

The accounts receivable is under Mr. Smith's jurisdiction, inasmuch as it is a very closely allied department and it is important to know the status of a customers account, and hence our receivable; whether additional credit facilities should be extended; whether or not the payments are being received on time; whether or not the customers' credit line has been reached, and other things.

Mr. Smith is naturally the man who has reporting to him the cashier. As the physical checks payable to the order of Deering-Milliken and Company are received from customers, they are cleared into the cashier's department. And then a checklist is referred to the accounts receivable department, so that we can assure that all checks received from customers are properly credited to the accounts of the customers.

[1333] Mr. Smith works very closely with me at my request on the financial administration of the company.

The mill information as to the mill deposits with Deering-Milliken are naturally of great concern and interest to us. As in the case, naturally, of all factors, it is common practice to have the financial department, if I may call it that, to have access to the financial deposits, credits and charges to the mill's account. I have tried to go across the chart here, General Counsel's B-9-B, to explain in some detail the functions of Mr. Smith.

* * *

Q. (By Mr. Dyer) Can you tell us what Mr. E. L. Weyer does in his position as special assistant? A. Just about anything and everything that I think of to ask him to do for me. I don't mean to be too general in my answer. There are a number of things that—there are special jobs, things connected with my family and other matters of that type.

* * *

[1334] Q. Now, can you tell us generally what insurance department does under Mr. Wilson? A. Yes, sir, generally. Mr. Wilson is head of the insurance department. He handles all of the insurance for Deering-Milliken and Company. And I would like to say that when I say Deering-Milliken and Company, more often than not I am including Milliken Woolens.

Q. I see. A. We had an office at 240 Church Street. And Milliken Woolens has an office at 1407 Broadway doing insurance problems connected with both. Mr. Wilson acts in that capacity.

[1335] Mr. Wilson, as an experienced knowledgeable fellow in the insurance business, rendered advice when requested to many of the corporations whose products were sold through Deering-Milliken and Company. Through his offices, he was able to recommend perhaps how better coverage, fire and extended coverage, for example, could be acquired by the mill corporations by doing certain things which would result in lower premiums, or perhaps for the same premium cost obtain greater coverage.

* * *

[1336] Q. I see. I believe you stated yesterday that the Quality Control Department as shown on General Counsel's B-9-C was a more or less new department that was opened up following a request from Mr. Harris of Greige Goods?

[1337] A. No, sir, I don't think I did testify to that. I think we established that the Quality Control Department was formed about 1950, and that Mr. Shotwell and Mr. Harris—I believe you should refer me to a memorandum written some time in 1955—at which time Mr. Shotwell expanded his duties to take on the Quality Control functions on print cloth and other cotton fabrics as well as on fine good fabrics.

Q. I see. I was trying to establish the difference between the Quality Control on 9-C and 9-D. A. They are similar functions and different personnel altogether.

Q. I see. In other words Mr. Shotwell does not have anything to do with the Quality Control Department as shown on 9-D? A. No, sir. That is headed by Mr. Duncan Stewart.

Q. I see.

Now, the laboratory that is available, is that used by both Quality Control Departments? A. Yes, sir. I see an error of omission. It would have been—I think I do anyway—the laboratory facilities are made available to the finished goods of Milliken Woolens' Sales Division as well as to the greige goods.

Q. I see. A. So that this chart should be amended, if I might suggest it, to add laboratory under the direction of Pat D'Alessandro as available to the finished goods sales as well.

* * *

[1339] Q. (By Mr. Dyer) I think my next question was: Can you tell us what the fabric development department does? As shown on General Counsel's B-9-C. A. Yes.

In a general way I can tell you. Mr. W. R. Kuenzel, who headed the fabric development department, prior to his association with Deering-Milliken and Company had worked

for the [1340] Dupont Company. And if my memory serves me correctly, he joined Deering-Milliken and Company in the mid-forties; and he was an exceptionally well-trained man in the textile business. And he knew constructions of fabrics; he knew the virtues of yarns. And in the textile business, certainly since World War II, the development of new yarns has been—and new fibers—has been going along at a very rapid pace.

Mr. Kuenzel had the imagination and the inventiveness to try to utilize, as was done, may I add, by all our competition in the textile industry, the new fibers and fabrics. And the Fabric Development Department, as such, was to try to suggest the constructions of fabrics, the yarn counts, and the lay-outs of fabrics to produce a desired end result.

And Mr. Kuenzel would work in close cooperation with the mill treasurers who were avidly seeking ways to utilize these new developments coming along in the textile industry.

And I think I am safe in saying that there was no one in the textile industry—or at least he was generally regarded in the textile industry as being the outstanding fabrics man because of his background and understanding of the business.

* * *

[1341] Q. Now, would it be necessary to make trial runs of these various percentages? A. Unfortunately, yes, sir.

Q. How would he do that? A. Well, he wouldn't do that.

Mr. Kuenzel would put on paper the theory—he would put on paper his concept of how it would best be done. Unfortunately even with Mr. Kuenzel that seldom worked the first time. But the mill would say well, this sounds like a good idea; let's try it. And we would carry it through

to its conclusion. And perhaps the mill would—the treasurer of the mill working perhaps in conjunction with Mr. Kuenzel would say, if this were changed or altered a little bit it would be better. Let's try it again.

Q. Were these tests run mainly at the various mills or through research—through the research corporation? A. No. They were run basically—the fabrics were woven at the mill.

* * *

[1356] A. Well, I don't know, but I presume so, yes, sir.

Q. Now, in this memorandum, Mr. Burchard talks of the fabric magic book. Can you tell us what that is? A. Yes, sir.

Fabric Magic Book was prepared with the assistance of Amos Parrish Company, in connection with a forthcoming presentation which we were putting on at the Waldorf-Astoria Hotel in New York to introduce a new fabric already referred to, which was lorette.

And we invited to that meeting a large number of ready-to-wear manufacturers, retailers in the persons of store heads, merchandise managers and buyers of womens apparel that might be made out of lorette.

We also invited a few—in fact I believe many suppliers of yarn. Certainly the Dupont Company which makes orlon had some of its key fellows in the textile department invited to [1357] this dinner.

And fabric magic was prepared primarily in that connection for that distribution. And it was subsequently distributed by us to other retailers who were unable to come to New York, or who were unable to attend that dinner.

Q. Now, had this promotion taken place before this memorandum was written or afterwards? A. It had taken place before.

Q. And in this memorandum Mr. Burchard refers to having a supply of the books available in New York. And

looking at the second paragraph, he says that in the interest of having them well distributed to more mill employees, we would sell these to you at the very low price of 15 cents per copy.

Now, can you tell us whether orders were received from the various mills selling through Deering-Milliken for copies of these books? A. No, sir, I can not tell you that. I don't know.

* * *

[1360] Hearing Officer: Are we going to come back to this later?

If not I will ask now who bore the expense of the production of these books?

* * *

The Witness: Deering-Milliken Company bore the expense of having these books prepared.

* * *

[1365] Q. Let me put it this way.

There are some items of equipment which have been in the mill to begin with, various frames? A. Yes, sir.

Q. You would have—which were originally capitalized? A. Yes, sir.

Q. You would have property records of those? A. Yes, sir. As far as I know.

Q. You would also have property records of all new equipment which was capitalized? A. I believe so.

Q. What about equipment that came in as an expense item? For instance, replacements? Would you not have property records of those items? A. When you say "you", do you mean me, or do you mean the mill.

Q. Well, the mill and Mr. Kable's department. A. No. I don't wish to—this is subject to correction, but I believe the fact that Darlington as a mill has of course its own

property records. I do not think it is the practice of Mr. Kable to keep property records of Darlington's property accounts. However, Mr. Turnowski, if we are referring specifically to him, was asked to aid and assist the mill treasurer, Mr. Oeland to properly keep the records in accordance with capitalizing or expensing.

* * *

[1366] Mr. Dyer: All right. I will see if I can clear it up.

Q. (By Mr. Dyer) For instance, on a spinning frame where a certain type of equipment, say the rollers on it, were replaced by new rollers; would such an items as expense item be noted on the property record for the frame itself? A. If it were treated—if it were expensed, you mean?

Q. That is right. A. I have no way of knowing specifically the answer first of all whether it would be expensed or not. But as I understand it, a property record—and I have nothing to do with [1366-A] the property records at Darlington, or any other mill for that matter—but as far as I know, a property account would reflect as an asset on the balance sheet, and, hence, is a capitalized item.

* * *

Q. (By Mr. Dyer) Mr. Turnowski was employed by Deering-Milliken; is that correct? A. He was.

Q. And his job there was to handle the property accounts for Mr. Kable? A. Well, really for Mr. Roger Milliken.

Well, do you want me to repeat the earlier answer, Mr. Dyer. I had hoped that I had answered that question.

Mr. Dyer: I thought I had it correctly, but maybe I didn't.

Q. (By Mr. Dyer) Would you repeat it please? A. Mr. Turnowski was employed by Deering-Milliken and Company. He worked with Mr. Kable as an assistant, we might [1367] say, to Mr. Kable at the request of Roger Milliken to give whatever advice and tax handling, property account handling, to the mill treasurer, Mr. Oeland, for example, to the best of his ability.

Q. Now, were there any other persons working at Deering-Milliken who did similar work under Mr. Kable's direction as Mr. Turnowski? A. None that I know of, sir.

Q. Was Mr. Turnowski made available to the various mill corporations selling through Deering-Milliken to help those mill corporations with their property records? A. To the best of my knowledge, yes.

Mr. Updike: Mr. Dyer, Mr. Schoemer tells me that the Darlington Property Records were submitted to you for your examination. And if there is any area of ambiguity with regard to what was done, perhaps if you wanted to show those records to the witness, the record would be clearer as to what actually was done by the Darlington management.

Mr. Dyer: If I recall, I don't believe I took copies of those. I think they remained in the files in Spartanburg.

So I don't have those available.

Mr. Updike: I am sorry. I misunderstood. I thought you, in addition to having them opened to your inspection, that you took copies of them.

Q. (By Mr. Dyer) The property records maintained, for [1368] instance in Darlington towards the close of the taxable year, would a copy of those records or the records

themselves be sent to Mr. Kable's Department? A. I certainly believe not.

Q. Would any accounting—let's say a summary of the property records—be sent to Mr. Kable's Department? A. Well, I think in the review of additions or disposals of capital items it is very likely that Mr. Oeland, for instance, might have consulted with Mr. Kable or with Mr. Phillips as to the best and proper tax handling of such additions or disposals. But I seriously question that it would have been more than an individual question, or perhaps a conversation in New York when Mr. Oeland was there or a conversation in Darlington if Mr. Oeland were to ask Mr. Kable to come to Darlington.

* * *

[1369] All Darlington mill property records were kept at Darlington.

Q. I understand the mill would keep its own property records. What I am asking is if Mr. Turnowski had copies or summations of those which he kept in New York? A. I am advised no.

* * *

[1371] The Witness: Well just in this brief recess, Mr. Oeland informs me that Mr. Turnowski was very helpful in working with Mr. Oeland and his office man on the—well, the formation and the form of the accounts.

His work did not concern itself so much as to which items should be capitalized and which should not. It was for the ease of the preparation of the property records and the ease of interpretation of the property records in which [1372] Mr. Turnowski was valuable to Mr. Oeland and his staff at Darlington.

Q. (By Mr. Dyer) In other words it was the outline of how to maintain the records and how to set up the records that Mr. Turnowski did? A. That is the way I understand it from Mr. Oeland now, yes, sir.

* * *

Q. Mr. Milliken, can you tell us what charges, if any, were made of the mills for Mr. Turnowski's services? A. I believe none. But I would like to check that.

* * *

[1376] (The document above-referred to was marked General Counsel's B-18 for identification.)

Q. (By Mr. Dyer) Mr. Milliken, I hand you a 2-page document that has been marked for identification, General Counsel's B-18, and ask whether this was issued by the controller, Mr. Flanigan from the New York Offices of Deering-Milliken? A. No. It is indicated it was issued by Mr. H. E. Williams, who was working in the accounting department for—reporting to Mr. Flanigan. And it was approved by Mr. Flanigan.

Q. I see. Then, it was issued after approval by Mr. Flanigan? A. Yes, sir.

Q. Now, the heading of this is "Controller's Division, Standard Practice Instruction."

Would this document be one of a series of instructions issued by the Controller's Division? [1377] A. Well, the instructions to the Controller's Division in New York.

This is a summarization, if I may use the word, of the previously decided fiscal year-ends by the mills listed on the second sheet.

Q. Well, was the controller's division to determine what the fiscal reporting periods would be and the year-ending

dates? Isn't that correct? A. No. The fiscal years are determined by the Boards of Directors of the various mills.

In this particular year, the year-end was November 27, 1955. I think prior to this time most of the mills were on a fiscal year-end of November 30. And I don't know which mills, but somebody had the briught idea that it might be a whole lot better to end the fiscal year on the Sunday nearest November 30. And that idea was suggested to a number of mills. And I believe without exception the Board thought it was a good idea and adopted it for each company.

And this exhibit, General Counsel's B-18, was a way of Mr. Flanigan's, who had all the information submitted to him about these fiscal year-ends, stating the fiscal periods that he understood the billings were going to use.

And he distributed it to, oh, I don't know—seven people, 10, 15 people in New York—well there were a number of people. I don't have to add them. In addition to which [1378] he distributed it to the mill treasurers or the mill office managers for their records.

Q. (By Mr. Dyer) Now, the financial records of all of the mills selling through Deering-Milliken as well as Deering-Milliken itself are on a four-week period; is that right? A. I believe that is correct.

Q. And the dates which are established by this memorandum are the dates for the closing of each of those four weekly periods? A. The dates reported here are the closing dates, yes, sir.

* * *

[1380] (The document above-referred-to was marked General Counsel's Exhibit B-19 for identification.)

Q. (By Mr. Dyer) Mr. Milliken, I now hand you a memorandum dated October 13, 1955 marked for identification, General [1381] Counsel's B-19.

* * *

Q. (By Mr. Dyer) This is addressed—well, can you tell us who it is addressed to? I recognize Mr. Oeland's name and some of the others. But is this to the Mill Treasurers? A. In some instances, yes; and—well, I don't recognize all the names myself. But it seems that a large majority of them are office managers of the mills.

* * *

[1382] Q. I see there are copies listed at the bottom to Mr. Fechtmann and Mr. E. S. Hill? A. Mr. Hill was the Chief Accountant in the Accounting Division of Deering-Milliken and Company and Mr. Fechtmann was his assistant.

* * *

[1397] Q. (By Mr. Dyer) Mr. Milliken, I hand you now for identifying, General Counsel's Exhibit B-20. dated October 11, 1956, a memorandum addressed to Mr. Oeland from Mr. Flanigan.

Can you tell us if this originated in the New York Office of Mr. Flanigan? [1398] A. Yes, sir,

* * *

Q. Can you tell me whether this same memorandum would have been sent to all of the mills selling through Deering-Milliken? A. Well, I would doubt it very much. I would think that it certainly would not have been sent by Mr. Flanigan to the mills who furnish the information from which Mr. Flanigan quotes.

Q. All right. A. But——

Q. Well this would have been sent to all other mills: is that correct? A. I would believe that is correct, Mr. Dyer.

* * *

[1404] (The document above-referred to was marked General Counsel's Exhibit B-21 for identification)

Q. (By Mr. Dyer) Mr. Milliken, I have now handed you an exhibit marked for identification, General Counsel's B-21, dated March 16, 1956, which is a copy of a letter addressed to you from Mr. Oeland. Did you receive such a letter, sir?

* * *

[1405] Q. (By Mr. Dyer) It refers to your letter of March 13. Can you tell us what was in your letter of March 13 to Darlington? A. Certainly not verbatim.

Q. No. But in general? A. It came to me—to my attention that the Pacolet Manufacturing Company had amended its vacation plan in such a way as to gain greater tax, income tax, advantage. And it was, I felt, incumbent upon me to advise Mr. Oeland of that inasmuch as he might wish to investigate the tax feature of the plan to see if he could avail himself of the same amendment.

Q. Did you also notify any of the other mills of this plan? A. I feel reasonably certain that I did.

Mr. Dyer: May I have this marked General Counsel's Exhibit B-22?

* * * *

[1406] Mr. Milliken, I have also handed you an exhibit marked for identification, General Counsel's B-22, a letter addressed to Mr. Bob Netter, dated April 9, 1956 from Mr. Oeland. A. Yes, sir.

Q. Was that received in your New York office? A. Yes, sir.

Q. Can you tell us who Mr. Netter is? A. Mr. Netter is Mr. Kable's assistant in the tax department of Deering-Milliken and Company.

Q. Was the Pacolet Vacation Plan discussed by the tax department of Mr. Kable's? A. The tax aspects of it were.

Q. All right. And was that discussed by that Department prior to approval by the Treasury Department? A. As I recall it, the Pacolet Manufacturing Company sought the best tax counsel it could acquire in the preparation of the amendment for submission to the United States Treasury Department. And I feel reasonably confident that whoever was handling this at Pacolet would have discussed this with Mr. Kable as well as other competent tax advisers.

Q. Let me ask this. Were there any other mills selling [1407] through Deering-Milliken that were using the Pacolet plan prior to Pacolet's taking it up? Or was Pacolet the originator of this plan? A. Pacolet I believe was the first to get the specific ruling from the Treasury that gave benefit to—let me start again—that gave the beneficial tax consequences, as I remember it.

Q. All right. Was this plan thereafter adopted by all the other mill corporations selling through Deering-Milliken? A. You mean this amended so as to take advantage of the tax element?

Q. That is right. A. I don't know for sure. But my impression is that it was.

Therefore, you, along with maybe Mr. Kable, made known to all the other mills the benefits that could be gathered by adoption of this tax plan? A. The tax benefits, yes, sir. In thinking, I think I can safely say that every mill did take advantage of this tax benefit.

* * *

[1408] Q. (By Mr. Dyer) The second paragraph starts off: "It is my understanding that at our next director's meeting you would advise our adopting the plan sent to us of Pacolet Manufacturing Company."

Was it Mr. Netter who gave that advice to Darlington? A. Well, I presume yes.

Mr. Netter is saying, I believe, as I read this that if the management of the Darlington Manufacturing Company wishes to adopt this, that he recommended to Mr. Oeland that it be taken up and made a formal part of the Director's minutes. I believe the Board of Directors would be the group to amend the plan.

Q. The plan as such in all of its entirety was sent to Mr. Oeland? A. I don't know that, sir.

Are you referring to the second paragraph in General Counsel's B-22? Does that lead you to conclude that?

Q. That is right. A. Where it says, "It is my understanding that at our [1409] next Director's meeting you would advise our adopting the plan sent to us of the Pacolet Manufacturing Company."?

Q. Yes. A. That is the word. Certainly it would not have been sent by Mr. Netter. I mean it doesn't say that at all.

Mr. Netter was advising as to the tax. And I have no way of knowing, except reading this, whether the provision of the plan with which Mr. Oeland was primarily concerned here was sent or whether the whole plant was sent. I wouldn't know.

* * *

(The documents above-referred to were marked General Counsel's B-23, B-24, for identification)

Q. (By Mr. Dyer) Mr. Milliken, I have handed you two exhibits marked for identification, General Counsel's B-23 and B-24. The first is a memorandum addressed to Mr. C. L. Watford from E. S. Hill, dated April 17, 1956.

[1410] The second is a letter addressed to E. S. Hill from C. F. Watford dated April 23, 1956. A. Yes, sir.

Q. Now, Mr. Hill, is in what department at Deering-Milliken? A. Mr. Hill was the chief accountant reporting to Mr. Flanigan, the controller.

Q. And Mr. Watford was the accountant at Darlington, is that correct? A. That is correct.

Q. Now, can you tell us whether this same letter, that is General Counsel's B-23, was sent to the other mills selling through Deering-Milliken? A. Well it certainly wouldn't have been sent to the mill that made the original suggestion as to the amendment to Form 3550-DC. A. It probably was sent to the other cotton mills selling through Deering-Milliken.

Q. All right. Now the reason I stated that is that it seems in looking at the exhibit that this would appear to have been a carbon copy with Mr. Watford's name typed in later? A. That is the way it appears to me.

Q. All right.

Now, can you tell us what expense detail Form 3550-DC is? A. It is a part of the financial statement form that is [1411] prepared periodically in the accounting periods by Darlington and some of the other mills.

Q. You say it is what type of form? An accounting form? A. Well it is part of the financial report for the accounting periods.

Q. All right.

And is that financial report standard through all of the

mills? That is, it would be the cotton mills in this instance, selling through Deering-Milliken? A. To the best of my knowledge the forms have little or—I am not sure that they have any differences.

We have endeavored to get the financial information that suits the purposes of the factoring division, or the controller's division, in Deering-Milliken Company to be able to submit information or get information as easily as possible. And hence I think that the mills have devised a form. And if one change has been recommended and good for one mill, Mr. Flanigan or some one in his department has passed it out and suggested that that change be incorporated in other mills.

Q. And can you tell us who originally got up the form itself? A. Oh, gosh, I don't even know when they were first gotten up, Mr. Dyer.

Q. What form—— [1412] A. We are talking about what form?

Q. 3550-DC? A. Prepared at the mill for the mill treasurers' use primarily. I don't know who originally got up the form. It is a form I believe that is the result of a bunch of evolutionary processes, just as this is a suggestion to amend the form.

Q. Now you say it is gotten up primarily for the benefit of the mill treasurer? A. Yes, sir. This is a form that Mr. Oeland's office had prepared by Mr.—that Mr. Oeland had prepared by Mr. Watford. It was submitted to Mr. Oeland. And a copy was sent to New York.

Q. All right.

Well, a copy of each of these forms from each of the mills is submitted to who in New York? A. Mr. Flanigan's Department.

Q. For what purposes? A. Well, as I have just tried to state, the financial division, the relationship that exists between the mill and Deering-Milliken and Company, the mill's factor, it's very important that we know the balance sheet items that we are concerning ourslves with whether or not the cash forecasts the profit and loss relationship. It is a long-standing rlationship that existed between Darlington and many other mills and Deering-Milliken and Company. And somtimes Deering- [1413] Milliken & Company—it is like the relationship with a bank. As you submit figures to banks. We do it on the forms requested. Certainly when Deering-Milliken and Company has been a borrower of funds from banks, we have submitted practically every available type of financial information that the bank is concerned with as to Deering-Milliken as a credit.

* * *

[1417] Q. (By Mr. Dyer) Mr. Milliken, I have handed you a 3-page document, the top page being a memo addressed to Mr. Oeland from Mr. Flanigan dated June 18, 1956. The last two pages are a separate memo, dated June 15, 1956, addressed to Mr. Flanigan from Nils O. Neilson.

The first page, the memo, encloses the second memo to Mr. Oeland.

May I ask, Mr. Milliken, if the salary expense category—excuse me. It states that Mr. Neilson would like to see a salary expense category added to the salary classification on the expense detail sheet of the financial statements.

Are those again part of the financial statements we have been talking about? A. I believe so, yes, sir.

Hearing Officer: Can we identify Mr. Neilson?

The Witness: Mr. Neilson was the office man-

ager at Pacolet Manufacturing Company in Pacolet, South Carolina.

Q. (By Mr. Dyer) Now the suggestion that Mr. Neilson is making is to get set up a separate category on the expense detail sheet for salaried personnel for supervisory trainees; is that correct? [1418] A. As I understand this, yes, sir.

* * *

Q. (By Mr. Dyer) Mr. Neilson states he does not feel they should go ahead and break out this new category without all mills being consistent. And I am quoting:

> "As we realize there are certain comparisons made between mills including the photostatic comparisons that you make."

Now, can you tell us what those are? A. Yes, sir, I can? The periodic statements giving the cost analysis on the forms which we have just been discussing are received in New York and some one in New York in accordance with Mr. Flanigan's instructions has the sheets photostated for the cotton mills.

And the cotton mills are then sent the photostats of the other cotton mills so that they can make comparisons of their items of cost. For instance, Mr. Oeland would see he is doing better than somebody else making similar constructions [1419] and not doing as well in another classification.

Q. Well is this merely just for the constructions? Or is it also for, say, salary arrangements, everything right through the whole scheme of the complete financial picture of the individual corporations? A. No. As I understand it, Mr. Dyer, this is just a summary sheet showing the costs going into a yard of cloth, the cost per pounds.

That was in an earlier exhibit. The suggestion was made to add costs per pounds; so much weaving, so much for this, so much for that, raw material costs, labor costs, et cetera.

As I understand it, that is what the form was. It was photostated and distributed to the other cotton mills.

Q. In other words it was just one form and not all the financial statements that were photostated? A. As I understand it, it was just the one form.

Q. Now, if there Mr. Neilson states that Mr. Flanigan made certain comparisons, what would those be? A. Those are the ones I have just been discussing.

Q. Excuse me. I may be wrong. I thought you said that they were photostated and sent to the mills so that the mills might make their own comparisons? A. That is right.

Q. What comparisons does Mr. Flanigan make? A. Including the photostatic comparisons that you made, [1420] the comparisons—let's put it the other way—the photostats, in fact, are made by Mr. Flanigan. I can see that this language is confusing. But to the best of my knowledge neither Mr. Flanigan nor any one else at Deering-Milliken makes comparisons as such. The information is there.

But I am, as Treasurer of Deering-Milliken and Company, not as interested in each item of cost in the production of say, an 80-square print cloth as is Mr. Oeland.

I am, however, very interested in how the Darlington Manufacturing Company is doing in the overall. I don't profess to be a manufacturer, nor does Mr. Flanigan.

* * *

[1422] Q. (By Mr. Dyer) Mr. Milliken, I have handed you a memorandum marked General Counsel's B-27, ad-

dressed to Mr. Oeland from Mr. Turnowski, dated October 28, 1954.

In this memorandum, Mr. Turnowski requests that: "In preparing authorization requests for additions to or replacements of parts of existing units; will you please note the remaining life of the unit to which the addition or replacement is to be applied?"

The second paragraph reads: "This information will save our having to write you. Also expedite the processing of the request."

You now—are these the requests for expenditure of capital for machinery? A. Yes, sir.

[1423] Q. Therefore these requests are processed in New York? A. The information that Mr. Turnowski is requesting here is added information so that when it goes to—when it went to Mr. Roger Milliken for his approval or disapproval on the purchase of this equipment, whatever it could be, for Darlington, the story would be told in full.

Q. I see. Well, at the time was Mr. Roger Milliken's office in New York or in South Carolina? A. No. In 1954 he was in South Carolina, I believe.

Q. Well, let me ask you first: Was this memorandum sent to other mills selling through Deering-Milliken? A. I have no way of knowing. Perhaps the other mills were performing in such a way that Mr. Turnowski felt there was no additional information needed to give the whole story tax-wise to Mr. Roger Milliken.

Q. The reason I ask this is that in looking at the date to and from it would appear that this would be a carbon copy addressed to Mr. Oeland since there seems to be a difference in the typing. A. It is perfectly conceivable that your assumption is correct. But I do not know.

Q. All right.

Well, at the time that a mill requests authorization for capital expenditure, who receives these requests for authorization? [1424] A. Well ultimately Mr. Roger Milliken. But as I explained to you—at least I hope I explained to you this morning—as regards the tax handling, Mr. Turnowski gave the benefit of his experience to the proper allocation of certain items.

* * *

Q. (By Mr. Dyer) For items which a mill wishes to buy, which it eventually expenses rather than capitalize, does the mill similarly make out a request for authorization to purchase such equipment? A. I believe not, as I understand your question, sir.

The Treasurer of the mill is the executive head of the mill and as such he operates the mill. If he needs supplies or other items of expense, he certainly does not turn to Roger Milliken to get authorization to make such purchases.

[1425] Q. I understand it in regard to supplies. A. I believe the same holds on other items of expense.

* * *

Q. (By Mr. Dyer) Mr. Milliken, I have handed you a 3-page memorandum dated September 5 1956 marked for identification General Counsel's B-28, addressed to Mill Office Managers from E. S. Flanigan: Subject: Merchandise Dispute Chargebacks."

* * *

[1426] Q. Now, in the first paragraph, there is a reference to a memorandum from you, sir, to Mill Treasurers under date of July 27, 1956; which according to this described a change in practice with respect to chargeback to mills of the billings which became the subject of merchandise disputes. Can you give us a brief background on what that is about? A. I hope it shall be brief.

One of the things that I, as Treasurer of Deering-Milliken do, is to review weekly with Mr. Smith, who is the vice president in charge of the credit department, the overdue accounts receivable from our customers. In a number of instances prior to July of 1956 there were long overdue payments on certain customers. And I was advised that these were as a result of merchandise disputes: that the Quality Control Department—let's say the greige goods department—had not resolved with the mill and the customer. Nothing had [1427] been resolved.

Hence, the customer was overdue in paying us.

It seemed to me that one way that might expedite the resolution of merchandise disputes between the mill and the customer is to have the mill know. And a telling way of knowing is if there is a dollar or two involved on their books.

So I informally spoke to all the mill Treasurers and explained my philosophy on this; namely, that if a chargeback from Deering-Milliken went to Darlington, for example, Mr. Oeland and his organization would be certainly as keenly aware, and I hope more keenly aware, that the resolution of the dispute should be made promptly.

And parenthetically I add that it has been my experience that if resolutions and agreements are reached quickly, the mill is inclined to fare better than if many weeks or months elapse.

If at the time, the resolution of the dispute is made in favor of the mill and hence contrary to the customer, the credit would again be made to the account of the mill on Deering-Milliken's books as of the date of the chargeback.

And this memorandum is an accounting procedure, and it goes into some detail as to how Deering-Milliken is handling it on its books and what it means on the books, how it

recommends it should be handled on the mill's books so they shall [1428] be the same, one offsetting the other.

* * * *

Q. (By Mr. Dyer) Do you know of any mills that did not adopt this procedure, Mr. Milliken? A. No, I don't know of any that did not. I presume if there had been any questions on whether they did or didn't, [1429] Mr. Flanigan would have discussed it with me.

* * *

[1430] Q. But where the mill treasurer knows that he does not have the money from this account—in other words, he can not count on the money being at Deering-Milliken for the goods which are in dispute—wouldn't that help to resolve—wouldn't that help for him to resolve his difficulties with the customer? A. Well, it would not stimulate the mill treasurer to make an unsound settlement in any sense of the word.

Hearing Officer: Would it help persuade the mill treasurer to—or the mill—to move more promptly?

The Witness: That is correct.

Mr. Dyer: Attempt to get together?

The Witness: Yes. And if it goes to the arbitration and the settlement is resolved in favor of the mill, the credit [1431] is placed as of the date of the chargeback. So after it is all over and the dispute has been resolved in favor of the mill, it has cost the mill nothing in the way of lost interest.

*

[1438] Now, can you tell what the Arthur Andersen Company is? A. It is a firm of independent accountants and auditors.

Q. All right. Does that firm handle all the audits for all of the mills selling through Deering-Milliken? A. At the present time I believe the answer to that is——

A. Hearing Officer: No. He is talking about September 1956.

The Witness: I believe in—yes, sir. In 1956, I believe that was true.

Q. (By Mr. Dyer) Does it also handle the audits of [1439] Deering-Milliken? A. Yes, sir.

* * *

[1444] (By Mr. Dyer) Mr. Milliken, I have handed you two documents stapled together, one labeled General Counsel's B-33, being a memorandum dated February 9, 1955, addressed to Mr. Oeland from E. J. Everitt. And the second, General Counsel's B-34, date February 15, 1955, a letter addressed to Mr. Everitt from Mr. Oeland. A. Yes, sir.

Q. Can you tell us what position Mr. Everitt was holding at this time? A. He was in the order department.

[1445] Q. Which comes under the controller's department? A. Yes, sir.

For the cotton goods.

Q. Now, in the first paragraph on the General Counsel's B-33, Mr. Everitt states that Mr. Roger Milliken suggested that we study the possibility of having our mills apply the bale numbers on a partial release of "bill and hold" goods instead of the present system where the customer applies the bale numbers. A. Yes, sir.

Q. Now, the phrase "our mills" what mills does that refer to? A. The mills selling through Deering-Milliken Company.

* * *

[1453] *Direct Examination* (Resumed)

* * *

Q. (By Mr. Janes) Is the Milliken Family one of the leaders in the textile industry, Mr. Milliken, as you understand it? A. I believe it is so regarded. It is not the easiest question for me in all modesty to answer, sir.

Q. I do not mean to put a difficult question. But I thought it was generally accepted in the Worth Street, Market, if I can refer to that. A. I would think the name Milliken meant a great deal in the Worth Street Market, yes, sir.

Q. And I think you did testify that Mr. Seth N. Milliken [1454] originated and built up the textile, manufacturing and merchandising enterprise of which we have been talking now in the last few days.

Mr. Updike: I do not believe he testified that he developed the manufacturing enterprise. Maybe he did, but I do not believe that is Mr. Minot Milliken's testimony.

Q. (By Mr. Janes) Mr. Milliken, would you subscribe to the statement that appears in GC Exhibit B-13: "In 1865 Seth Milliken started Deering, Milliken Company in Portland, Maine"?

* * * *

Q. (By Mr. Janes) Further, reading from the same page, Mr. Milliken, would you subscribe to this statement: "In 1920 about twenty mills were now associated with Deering, Milliken when Seth Milliken left the great company to the presidency of his son, Gerrish Milliken"? A. Well, I do not know the way in which you are interpreting the word "associated". If you mean twenty mills were as-

sociated with Deering, Milliken as selling agent, I would subscribe completely, yes, sir.

[1455] Q. Mr. Milliken, would you state that generally the majority interest, stock ownership interest, in Deering, Milliken Co., Inc. was owned by members of the Milliken Family? A. Yes, sir.

Q. In the Worth Street Market is the reference "DM Mills" used within your knowledge? Or "Deering, Milliken Mills"? A. A Deering, Milliken Mill?

Q. Mills, plural? A. Yes. Reference is used with some frequency, I believe, sir.

Q. And the reference is made to the various corporations producing products which are sold through Deering, Milliken and Co., Inc.? A. That is correct, as is the case with any number of companies selling for a large group of mills.

* * *

[1456] Q. (By Mr. Janes) The terms "Milliken and the Mills" means what as you understand it?

* * *

[1457] The Witness: I endeavored to answer that.

I understand it to mean Deering, Milliken and the mills for which it sells, or which it represents in the selling markets.

* * *

[1459] Q. You do have in Deering, Milliken and Co., Inc., a merchandising policy, do you not? A. Well, I hope so. Many merchandising policies for many [1460] different types of products.

Q. You have merchandising policies, I should say. That is true, isn't it? A. Yes, to the extent that it is a sales function to have merchandising policies, certainly.

Q. You do have in Deering, Milliken and Co., Inc. financial policies? A. Indeed, yes.

Q. And shall I say credit policies? A. Indeed, yes.

Q. You do have sales policies? A. Yes, sir.

Q. And tax policies? A. As far as Deering, Milliken is concerned? Q. We are talking about Deering, Milliken at the present time. A. Yes, sir.

Q. Insurance policies? A. Yes, sir.

Q. Legal policies? A. Yes, sir.

* * *

[1461] Trial Examiner: The question now is—you have told us that Deering, Milliken has various policies. The question now is whether these policies of Deering, Milliken are communicated to the various mills.

* * *

The Witness: I believe to lesser or greater extent the policies of Deering, Milliken and Company are known to the various mills which Deering, Milliken represents in the selling markets.

Q. (By Mr. Janes) They are known because they have been reported or communicated to the various mills; is that true? A. Well, that is I believe a logical way to get them known.

Trial Examiner: The answer is "Yes"?

The Witness: Yes, sir.

* * *

[1467] Q. (By Mr. Janes) Mr. Milliken, I call your attention to GC B-17. And I ask you whether the purpose of securing the chart on spindle activity was to benefit Deering, Milliken and Co., Inc. directly with its relations to Deering, Milliken customers? A. Definitely in part.

Q. Can we say that that was the primary function? A. Well, it was an important function, yes, sir.

Q. And in addition, would you say that the charts would have the purpose of stimulating activity in—cotton spindle activity, that is—among the various DM Mills? A. The chart reflects the past spindle activity. And to the extent that it reflects it as past excellent performance, it certainly would stimulate continuing excellent performance.

Trial Examiner: You mean you hope it would?

The Witness: That is the hope, yes, Mr. Buchanan. Thank [1468] you, sir.

* * *

Q. (By Mr. Janes) Mr. Milliken, I just want to see whether we could understand that these charts were used for promotional purposes as far as the customers were concerned and also for incentive purposes for future activity in the DM Mills. Is that a fair statement? A. It seems to me it is very much the same question.

Q. Yes. A. It has been answered.

* * *

[1472] Q. (By Mr. Janes) Mr. Milliken, the Exhibit GC-B-13 speaks of team work among the mills. Is that a general characteristic of relationship between the Deering, Milliken and Co. direct [1473] employees and the officers of the Deering, Milliken Mills? A. Well, of course, wherever an opportunity arises to pull in the same direction, we pull in the same direction. Teamwork is very necessary.

* * *

Q. (By Mr. Janes) Mr. Milliken, would you say that the general morale between the Deering, Milliken and Co. heads of departments and the Treasurers and mill managers of the D-M Plants is on a very personal and cooperative basis? A. Yes, sir, I would.

[1474] Q. And that is, I suppose, illustrated by the fact that most letters are on a first name basis?

* * *

Trial Examiner: Now, the question is whether you know of any suggestions by Kable which Mill Treasurers did not accept or adopt?

The Witness: Do I know of any specific suggestions?

[1476] Trial Examiner: Yes.

The Witness: No, I do not know of any at this moment.

* * *

[1478] Q. (By Mr. Janes) In connection with GC B-3, what dividend declarations did you have in mind? A. Year-end.

Q. Of what companies? A. Darlington Manufacuring Company.

Q. Exclusively? A. This letter was from Mr. Oeland, Treasurer of Darlington, addressed to me.

Q. And the information referred to in GC B-3 sought information which was necessary to be processed in connection with the declaration of dividend of Deering, Milliken? A. It was to be reviewed by Mr. Percy W. Phillips, tax attorney in Washington.

Q. In order to determine what? A. Year end dividend declaration.

[1479] Q. Of who? A. Darlington Manufacturing Company.

Q. And did you also have similar information from all of the other DM Mills to be referred to the same source for the same purposes of each of the corporations? A. Well.

I believe that I testified on this subject prior. If you would like me to testify again.

Q. Well, you might, because I don't recall what your answer was. A. I believe that I stated that Mr. Phillips of the firm of Ivins, Phillips and Barker was asked by each mill corporation to review, prior to the end of the fiscal year, the estimated income with a view of looking at it from year end dividend declaration.

Q. Of each of the Corporations of the various DM mills? A. You keep saying of each of the corporations.

Selling through Deering, Milliken and Company, yes.

Q. Was there a declaration of dividends by Deering, Milliken and Co., Inc.? A. Was there, you say?

Q. Yes. A. When?

Q. Well, during the same time? A. Well, the answer is yes, Deering, Milliken and Company has declared dividends for a number of years.

[1480] Q. And was any of the information that you received from the DM Mills used in the determination of the declaration of dividends by Deering, Milliken and Co., Inc.? A. I don't understand your question. I apologize.

Q. Well, in determining the dividend declaration of Deering, Milliken and Co., Inc., did you use any information that you secured from the DM Mills? A. I don't know quite how the dividend of Deering, Milliken and Co. is affected—well, Deering, Milliken and Company's dividend quite naturally is declared on an assumed net after-taxes income of Deering, Milliken and Co.

Q. Your answer is No to my question? A. Well, I don't understand your question. I had hoped that I had answered it by saying what I said.

* * *

Q. (By Mr. Janes) I show you Exhibit GC B-12 and refer you to the sentence that reads: "We have a supply of these books available in New York. They cost considerable

to have printed. But in the interest of having these well distributed to more Mill employees, we would sell these to you at the [1481] very low price of fifteen cents per copy."

Was that the purpose of distribution of the brochure called "Fabric Magic by Milliken" in November, 1955? A. Well, I smile as I give this answer, Mr. Janes. This was November of 1955. The booklet was prepared in the spring of 1952. And I feel certain that a number of people in the mills, as well as across the country, and retailers that had seen copies of this—I feel sure that copies were made available to them. But conceivably Mr. Burchard, who was in charge of it wished to make sure that it was made available to everyone who might be interested.

I don't know whether this letter went to schools or sewing circles or youth organizations or whoever. Perhaps he was very anxious to get it as widely distributed as possible.

Q. Do you think this letter and other letters similar would be addressed to schools and other organizations other than DM Mills? A. I am not saying this letter, no. I am just saying that Mr. Burchard—his job is advertising and hustling, if that word may be used without any sinister connotations.

Q. (By Mr. Janes) Referring to the specific purpose mentioned in that exhibit, Mr. Milliken, can you tell us what [1482] was the objective in getting these brochures in the hands of the mill employees? A. Well, I tried to answer that question. Apparently I haven't answered it to your satisfaction.

Q. I don't believe you have answered it.

Mr. Updike: Please answer it again, Mr. Miliken.

The Witness: The objective in getting this booklet was to expose the number of types of fabrics sold by Deering, Milliken and Company for the various mills.

Q. The purpose mentioned in that exhibit, Mr. Milliken, is that it be distributed to the mill employees. Can you hazard your opinion as to the reason for such a distribution? A. Well, I have just hazarded one opinion, Mr. Janes. That it was to depict, to demonstrate, to portray and reveal the large diversity of fabrics manufactured by the mills selling through Deering, Milliken Co., and to perhaps let the mill employees know that the retailers of America had seen this booklet.

Q. Mr. Milliken, could you please tell us whether the vacation policies existing in the DM Mills are all similar? A. I believe they are dissimilar.

Mr. Updike: Did you say vacation policy or plan?

Mr. Janes: I said policy.

Mr. Updike: I object to the use of the word "policy" in the question. There has been no testimony up to now about [1483] any policy that I know of.

Trial Examiner: I think the witness has answered the question. He said they are dissimilar,

Q. (By Mr. Janes) Mr. Milliken, would you say that the vacation plan in the various DM Mills were similar? A. I am not familiar with the various plans, but I believe the plans in the mills selling through Deering, Milliken are dissimilar.

Q. Who would be informed on this question in Deering, Milliken and Co., Inc. as to the vacation plans? A. Of who?

Q. Of the various DM Mills? A. I don't know that anyone would be. The Mill Treasurers certainly would be acquainted with his own vacation plan.

Q. Could you specify the plants where they are not similar to the vacation plan adopted in other DM plants?

Where do the dissimilarities exist? A. I don't know enough about the vacation plans of any mill, Mr. Janes, to answer your question intelligently.

Q. Well, do you know that there are dissimilarities? A. I believe there are, yes, sir.

Q. Can you tell us what person would be acquainted with that subject so that we may be able to interrogate him? A. Mr. Oeland would be acquainted with the vacation plan at the Darlington Manufacturing Company certainly.

[1484] Q. Is there anybody in Deering, Milliken and Co., Inc. who would be acquainted with the vacation plans of the other mills besides the plant at Darlington? A. I am not sure they would be acquainted with the vacation plan of Darlington.

Trial Examiner: You are not sure that who is acquainted?

The Witness: Anybody in Deering, Milliken Company.

There is no one reporting to me in this end of the business, and no one reporting to anybody else as far as I know in Deering, Milliken and Company who is acquainted with any vacation plan of any mill selling through Deering, Milliken. I believe that to be a true statement.

Q. (By Mr. Janes) Is there a plan called the Deering, Milliken Vacation Plan? A. Yes, there is.

Q. What was that? A. That is for the employees of Deering, Milliken Company.

Q. Exclusively for the New York office? A. For Deering, Milliken Company, whether in New York or in Los Angeles.

Q. I see. And what is the number of employees of Deering, Milliken and Co., Inc.? A. Approximately five hundred and sixty.

* * *

[1492] Q. (By Mr. Janes) Mr. Milliken, I suppose Mr. Roger Milliken in his capacity as head of the various corporations here has made a number of other suggestions, has he not? A. Yes, sir, he has.

Q. I have been emphasizing "suggestion" because it has been playing a large part in this proceeding up to now. Isn't it a fact that the suggestions of Mr. Roger Milliken [1493] are in the nature of something characterized by the expression "your wish is my command"? A. Are you asking me personally, sir?

Q. You are the only one I can ask. A. Well, are you asking in reference to me?

Q. I am asking you as an official—I am asking this question with relation to any of the suggestions that you know of that Mr. Roger Milliken, your cousin, has made as the top official of the various companies. A. Well, Roger Milliken is President of Deering, Milliken and Company, and I can tell you in all candor he has made a number of suggestions to me as to how things might be amended or altered or improved in Deering, Milliken and Company. And I regret it is necessary for me to put it on the record. But not all of those suggestions have been carried out as of this date.

Q. Would you know anything about other suggestions made by Mr. Roger Milliken to others? A. I am on a very close basis with my cousin. I believe I know of a number of suggestions that he has made to a number of mill treasurers where the same answer could be given.

Q. Would you say that these suggestions that were not adopted did not relate to basic policies of the company involved? A. Policies are determined by the Boards of Directors. And [1494] I know that Roger Milliken has on numerous occasions spoken to me personally about things that have not been carried out at Deering, Milliken and has made reference to other occasions where he has

made suggestions at the mill. And the suggestions have not been forthcoming—the results have not been forthcoming.

Q. Could you specify one? A. Well, yu mean in connection with me?

Q. In connection with something that you know. Not necessarily in connection with you. A. Well, if it is relevant to the—well, I will be glad to.

Mr. Roger Milliken has for some time discussed with me a change in functions of certain of the people in Deering, Milliken and Company. And that has not been implemented as yet.

Q. Well, isn't that in the nature of a discussion on a particular problem rather than a suggestion as coming from a top official? A. We certainly have discussed the suggestion. One thing I have in mind is that I do not elect, until requested to by Mr. Buchanan, to put it on the record. Mr. Roger Milliken is of the same view that he held originally. And we do not disagree in large measure. But at the moment it has not yet been done.

Q. In order that we may talk concretely about something—I have no desire to inquire into that phase and that particular [1495] incident—but can you specify something else that you can talk about, some suggestion made by Mr. Roger Milliken that has not been adopted?

Trial Examiner: Suggestion to whom?

Mr. Janes: Well, to almost anybody. I am asking Mr. Milliken to specify the pereson so that we can talk about something concrete.

The Witness: Well, I would a great deal rather not; I find this a little bit embarrassing.

Q. (By Mr. Janes) I am sorry; I did not mean to embarrass you. I posed the question very guardedly. A. I know that.

Trial Examiner: Perhaps Roger Milliken would feel freer to explain this.

Mr. Janes: I am sure he will. But since we were talking about this phase, I thought we would get it from the front of the room rather than the back of the room.

Trial Examiner: Well, I am sure Mr. Roger Milliken will, at some time, be up here.

Mr. Janes: All right. We will wait until Mr. Roger Milliken gets on the stand.

* * *

[1504] *Cross-Examination*

* * *

[1508] Q. (By Mr. Updike) When Deering, Milliken and Company, as agent for a particular mill, makes a sale of some goods, is this sale the subject of any written agreement? A. Yes, sir, it is.

Q. Is it what might be called a form of agreement? A. Yes, sir. It is a sales note, is the terminology.

Q. And do these forms of agreement vary from, let us say, greige goods to woolen goods? A. Yes, sir, they do.

Q. Do they vary within the fields of greige goods? A. Well, it is, of course—of course, each sales note is Deering, Milliken as agent for a specific mill; but as regards the form of cotton greige goods, I believe they all have the same Worth Street rules and similarly identical.

Q. So that each sales transaction identifies Deering, Milliken and Company as agent, does it? A. Yes, it does.

Q. And the particular mill corporation for which it acts [1509] as agent, does that appear in the contract? A. Yes, it does.

* * *

[1515] Q. Now, Mr. Milliken, I direct your attention to Exhibit B-13, the so-called Fabric Magic Book, and specifi-

cally to a statement at the top of what I believe to be the seventh full paragraph—or rather the seventh full page of the booklet, beginning with the words—or rather headed by the words, "Magic of Mill Integration Assures Control of Quality From Fiber to Fabric."

Do you see what I have been reading? A. Yes, sir.

Q. Now, immediately below and to the right of what I just read appears this statement:

> "So is the textile team with Milliken a group of specialist mills, each expert in some type or phase of textile production and closely integrated to control from start to finish."

[1516] I ask you, Mr. Milliken, with reference to what fabric or group of fabrics that statements appears in Exhibit B-13? A. Worsted fabrics, and particularly is mentioned visa.

Q. And with respect to worsted fabrics, do some of the mill corporations start with the raw material and carry it through to the finished product ready for sale to the cutting up manufacturer? A. That is correct.

Q. And is it in that sense that the term "integration" is used in that statement? A. It is used in that sense, going from the raw material through the yarn, through the woven cloth, through the finishing, and dyeing, to the finished piece of cloth ready for sale to the manufacturer of clothing.

* * *

[1517] Q. And without incorporating your prior testimony now, are you familiar with the procedure at, for example, Iselin-Jefferson and other houses that both factor on the one hand and sell on the other? A. Yes, sir, I believe so.

[1518] Q. Is this a normal and usual practive with such houses as well? A. The chargebacks?

Q. Yes. A. Yes, sir, it is.

Trial Examiner: I am wondering now in the reference to Iselin-Jefferson, is there any hing to show whether they operate as intergrated companies with those for whom they sell?

Mr. Updike: Perhaps this witness answer that question.

Q. (By Mr. Uplike) Do you know whether Iselin-Jefferson either controls or owns stock in some of the mills for whom they sell, or all of them? A. Yes, sir, I do know they own stock in some of the mills. And I also know they sell for some mills in which they own no stock.

* * *

[1519] Q. (By Mr. Updike) Is there, to your knowledge, any policy or set policy at Deering, Milliken with regard to any vacation plans other than its own? A. No, sir, there is not.

* * *

[1522] Q. (By Mr. Updike) What is your recollection, Mr. Milliken, with respect to the participation, if any, prior to that memorandum of Mill Treasurers with Mr. Flanigan or others with regard to the designation of a fiscal year or fiscal period as outlined in that memorandum? A. Well, my recollection is that the Boards of Directors of the mills, prior to this date, had determined that the fiscal year end should be the Sunday nearest November 30th.

Q. Does that have any relationship to a traditional basis of accounting in the textile field that is based on a certain number of weeks? A. Yes, sir.

It is very much easier, as I understand it, for the mill to have a year-end on a Sunday rather than a calendar month end for the purposes of inventory taking over the weekend with the auditors rather than during the middle of the week where it is very difficult to stop one fiscal year and start another fiscal year with the plant in full operation.

* * *

[1524] Q. My question to you is whether antecedent to the sending out of Exhibit B-19 there had been any conferring or consultation with the treasurers of the mill corporations with respect to this subject matter? A. Yes, sir, I believe it is implicit in the memorandum itself.

Q. So that B-19 is a confirmation to the persons named of a decision reached with the mill treasurers? A. That is correct.

* * *

[1527] Q. (By Mr. Updike) Do you know from your present position how long Deering, Milliken has not only been engaged in selling but in factoring? A. I believe 93 years.

Q. For how long—for the full extent of the selling opera- [1528] tions? A. Yes, sir.

Q. Now, within your term as Vice President and Treasurer, have you come in contact with others in the factoring business? A. Yes, sir, with some frequency.

Q. Have you in the course of that sort of contact acquired a general knowledge with respect to the practices of others in the factoring business? A. I believe so, yes, sir.

Q. I think it was you who referred to it as a pseudo-banking business. A. I believe I did.

Q. Will you tell us more specifically what is meant by the term "pseudo-banking business"? A. The factoring relationship with a mill or any other customer is basically a financial one. The undertaking of the responsibility of collecting the accounts receivable of the mills, the occasional financing or making financial assistance available to the mills or other customers, the interchange and free flow of information to and from the factor and his clients as regards such matters as, as we have discussed earlier, accounting or taxes or other related subjects.

I used the term pseudo-banking in that I think it is a close parallel between a company and a banker, particularly [1529] a banker who is close to the customer and with whom the customer is anxious to cooperate freely.

That was my reference when I used the term "pseudo-banking relationship."

Q. Now, to the extent that a factor lends money, collects money, and collects money on behalf of its clients, there is a similarity. Is that what I understand your testimony to be? A. A similarity between the factor and a bank?

Q. Yes. A. Yes, sir.

I think there is a very close relationship between a bank and his customer and a factor and his customer. I am drawing a parallel.

Q. Do factors who also act as selling agents work with their customers with respect to mill modernization? A. Certainly.

Q. Do they work with them with respect to operational problems and improvement in efficiencies? A. To whatever extent they can, yes.

Q. What can you say about the fabric planning or styling? A. Well, I know of no selling agency that does not contribute to the styling and fabric development of the mills for which it is selling.

It is, after all, the styling—well, much of it has [1530] to be initiated in the markets, because it is geared to the desires of the customers in large measure.

* * *

[1533] (Pending question read by the reporter as follows: "Now, who are the large selling agents and factors that you can think of offhand as you are on the stand?")

Q. (By Mr. Updike) In addition to Iselin-Jefferson? A. That is companies who are both, you mean?

Q. Yes. A. The first that comes to mind is Cannon Mills.

Q. Now, with reference to Cannon Mills and with particular reference to the Trial Examiner's observations of a few moments ago, do you know as a fact whether Cannon Mills sells and factors for mills in which it owns little or no stock? A. Yes, sir, I do know that.

Mr. Janes: What is that answer?

The Witness: Yes, sir, I do know that.

Q. (By Mr. Updike) Now, what would be another one on the list?

Is M. Lowenstein one? A. M. Lowenstein?

Q. Yes. A. I do not know whether or not M. Lowenstein is one or not.

You are asking the question of selling agent and factor; is that correct?

Q. Yes. [1534] A. Lowenstein is a——

Q. A selling agent? A. Well, actually it factors the accounts. But it is really a unit that operates quite differently than Deering. Milliken, as I understand it.

Q. All right. A. J. P. Stevens and Company has a wholly owned subsidiary, J. P. Maguire, which is a factoring concern.

J. P. Maguire factors the accounts of companies in which J. P. Stevens and J. P. Maguire have no stock interest.

Q. All right.

Are there any others that occur to you? A. Well, there are a number of selling houses that occur to me and a number of factors.

Q. Well, let's take the selling aspects of it then for a moment.

What is Deering, Milliken's charge for selling and factoring together to the mills which it represents? A. It varies depending on what fabric we are talking about.

Q. All right.

Let's take cotton greige goods? A. Print cloth?

Q. Yes. A. Two and a half percent on print cloth.

Q. That is for both selling and factoring? [1535] A. Selling and factoring, yes, sir.

Q. All right.

Now, is that a standard rate so far as you know in the entire industry with respect to the selling and factoring of such goods? A. Yes, sir.

Now, when you say "standard" does that mean there are no exceptions in the industry?

Q. No. I mean generally accepted rate? A. That is the way I understood your question.

The answer is Yes.

Q. Now, without going into detail about it, would the same be true with respect to—would your answer be true with respect to other cotton goods than print cloth goods? A. Yes, sir. Although the percentage might not be and isn't 2½.

Q. I understand that. A. Yes, sir, that is correct.

Q. Similarly, would the answer be the same with respect to fine goods and woolens and worsteds? A. Yes, sir, it would.

Q. Now, in the history of the relations between Deering Milliken and the Darlington Manufacturing Company, has there ever been to your knowledge or to your—or have you any information that any stockholder has ever complained with re- [1536] spect to the rates that were charged

to Darlington when it hired Deering, Milliken and Company as its agent? A. I have never heard of any.

Trial Examiner: Read the question, please.

(Question read.)

Mr. Updike: I should say since Darlington first hired Deering, Milliken and Company as its agent. Is your answer still the same?

The Witness: Yes, sir.

Q. (By Mr. Updike) Now, Mr. Milliken, you are the treasurer of Deering-Milliken and Co., Incorporated, are you not? A. Yes, sir.

Q. And according to some of the testimony that has already been given in this case, the role of the Treasurer in a textile mill corporation is different from the role of the Treasurer in the usual business corporation? A. Yes, sir.

Q. Now, in your role—strike that question.

Speaking in analogy, what comparison would you make to indicate the difference in the respect to their responsibilities? A. Well, in the average American corporation the president is regarded as the chief executive officer, and the Treasurer has responsibilities dealing largely with fiscal matters.

[1537] In the textile industry, I would ally the Treasurer of a textile mill with the President of some other industry or corporation and the President of the Textile Mill with, let us say, the Chairman of the Board. The treasurer in a textile mill, so far as I know, in all of the textile industry is the chief executive officer.

Mr. Updike: The Darlington bylaws, Mr. Buchanan, are already in evidence in this case, and

I submit them again in support of the witness' testimony.

Q. (By Mr. Updike) Now, in relation to this classification that you have just given, Mr. Milliken, the Treasurer of Deering, Milliken and Company, is this the Treasurer in the average corporation sense or in the textile mill corporation sense? A. It is in the average American corporation sense. The chief executive officer of Deering, Milliken and Company is its president.

Trial Examiner: Am I correct in my present understanding that Deering, Milliken's president and Treasurer do not occupy the role of president and treasurer generally in—that they do not occupy the role that a president and treasurer would generally occupy in the textile mill industry?

The Witness: That is correct.

* * *

[1542] Q. (By Mr. Updike) There was one occasion—I do not recall just where it is in the record—where you were asked, Mr. Milliken, with reference to General Counsel's Exhibit B-23, which is a communication from Mr. Hill who, I think, was the Chief Accountant, to Mr. Watford, who was the Accountant for the Darlington Manufacturing Company, with respect to an expense form called Form 3550-DC.

You were asked whether the changes recommended or suggested in this communication from Mr. Hill were, in fact, made at Darlington. And I believe you said you did not know, but you undertook to find out.

I now ask you whether you have found out? A. Yes, I have.

Q. Can you state with reference to this exhibit which I now show you whether these changes were made? [1543] A. They were made in part, Mr. Updike. They were made as this exhibit reflects them, with the exception of one classification here: Pounds Credited to Mill.

Q. And as to that, what happened? A. That is not included on the Darlington Form 3550-DC.

* * *

[1545] Trial Examiner: Suppose we take one at a time. Which one shall we take first? Deering, Milliken Mills?

Mr. Updike: Fine.

Trial Examiner: Have you at any time used the phrase "Deering, Milliken Mills"?

The Witness: I am sure I have, sir.

Trial Examiner: All right.

Q. (By Mr. Updike) And have you heard others use it? A. Yes, sir.

Q. Now, what does that reference embrace? [1546] A. It embraces the mills—it refers to the mills whose products are sold through Deering, Milliken and Company. And in the market—I am talking about on the New York sales market—there are frequent references to Deering, Milliken Mills or Milliken Mills.

Q. Now, have you also either used the term "our mills" or heard that term used in something addressed to you or within your hearing? A. Yes, sir, I have.

Q. Now, to what has that referred? A. On a number of occasions in talking to customers I have used the expression "our mills" or "our mill", referring to the mills selling through Deering, Milliken and Company or in the case of finished goods Milliken Woolens.

Q. Now, in a context where you are talking perhaps with reference to Fine Goods and you say "Our Mills" may the reference in such a context refer not to all of the mills but to the mills which are engaged in the making of fine goods? A. Definitely, yes.

Mr. Updike: Mr. Buchanan, with respect to these—Mr. Schoemer has brought to my attention that Exhibit 13, which is the Fabric Magic Book, uses the term "Mills with Milliken".

Q. (By Mr. Updike) Do you recall the use of that term? A. Yes, sir.

Q. Does that embrace the same area of reference generally speaking? [1547] A. Yes, sir, it does.

Q. Now, are there other situations in relationships with customers where the specific mill corporation or mill itself would be referred to? A. Yes, there are.

Q. Will you give us some illustrations of that, please? A. It was brought out this morning that every sales note which Deering, Milliken and Company renders to the customer, it is on the Form "Deering Milliken as Agent for Darlington Manufacturing Company", for example.

Q. Well, now, in discussions with customers where the customer has been familiar with the product of a particular mill, in such context do the discussions use a different terminology sometimes? A. Yes, with great frequency.

I think almost without exception a customer who purchases, for example, print cloth knows that the Darlington Manufacturing Company has made print cloths for him, for the customer; and the customer would come to the offices of Deering, Milliken and Company and say that he wants to order a given quantity of print cloths, a certain style number, or construction, from Darlington Manufacturing Company.

In fact, there are a number of customers who have gone with our salesmen to various of the mills. And they know them as identifiable mill corporations in the South.

[1548] Q. In other words, it was not uncommon for some of the customers, for example—it was not uncommon for some of the Darlington customers to actually visit the mill? A. Oh, no, I am sure there were a number of customers of Darlington who visited Darlington.

Q. Now, Mr. Milliken, did you, as an officer of Deering, Milliken and Company or in any other capacity, exercise any voice in or control over the labor relations of Darlington Manufacturing Company? A. No, sir.

Q. During the period 1955, 1956, or since then? A. No, sir, I did not.

Q. Did you, as an officer of Deering, Milliken and Company, exercise any control over the quality or quantity, type, or cost of the goods manufactured by the Darlington Manufacturing Company? A. No, sir.

Q. To the extent that you have testified here that Deering, Milliken and Company made recommendations from time to time to Darlington with respect to quality, quantity, type and cost, to your recollection were some of these adopted and some not? A. I feel certain they were.

* * *

[1551] Q. (By Mr. Updike) Mr. Milliken, you became a Director of Darlington, according to the record, in January of 1956? A. Yes, sir.

Q. Did you prior to that time consult with Mr. Oeland or with anybody else with respect to the modernization program at Darlington in any way? A. No, sir.

* * *

Q. (By Mr. Updike) Subsequent to your becoming a Director, did you, Mr. Milliken, in that capacity discuss or consider from time to time the modernization program

at Darlington? A. Well, I believe I was aware in a general way of the modernization program. But I think the minutes will reflect that I did not attend the January meeting of the Board of Directors.

Q. To the extent that the program was then outlined for [1552] carrying out, you did not consider it; is that what I understood your testimony to be? A. Yes, that is right.

Q. Now, to what extent thereafter did you give consideration to the problem? A. Well, I can think of no official consideration that I gave to it at all, Mr. Updike.

Q. All right.

Now, what, if anything, did you, as an officer of Deering, Milliken Company, do with respect to the purchase of raw materials by Darlington? A. Nothing.

Q. Did you do anything in that respect as a Director of Darlington? A. No, sir.

Q. Now, to what extent did Deering, Milliken and Company have a financial or stock interest in the Deering, Milliken Service Corporation?

Mr. Janes: May I have the question read, please?

Trial Examiner: Read the question.

(Pending question read by the reporter.)

The Witness: It had none.

Q. (By Mr. Updike) Were you ever an officer or Director of the Service Corporation? A. No, sir.

Q. To what extent did Deering, Milliken and Company have any financial or stock interest in Deering, Milliken Research [1553] Corporation? A. It did have a stock interest in the Deering, Milliken Research Corporation which was based on the commission income or the value added,

so to speak, to Deering, Milliken and Company of the goods sold by Deering, Milliken and Company.

* * *

Q. (By Mr. Updike) Mr. Milliken, who are the stockholders of the Deering, Milliken Research Corporation? A. I do not know exactly. I mean I don't want to be guilty of error of omission. But I believe the owners of the mill corporations whose products are sold through Deering, Milliken and Milliken Woolens.

Q. Now, will you state just in general to Mr. Buchanan the basis on which this stock ownership is related, each stockholder to each other?

You have given in general the basis of Deering Milliken's. Would you continue with respect to the mill corporations? A. As I understand it, Mr. Buchanan, the total obviously being a hundred percent, the individual mill's ownership is that percentage of the sales volume of a given mill as that percentage relates to the total of the sales volume of the [1554] various corporations, plus the commission income of Deering, Milliken Company resulting from commissions paid to Deering, Milliken by the mills.

* * *

Q. (By Mr. Updike) In other words, Mr. Milliken, this might be stated to be a series of fractions in which the denominator is the total of all of the sales volume in the aggregate plus Deering, Milliken's own gross sales volume, that being the denominator. And the numerator in each instance being the sales of the particular mill corporation or the gross sales of Deering, Milliken and Company itself? A. Yes, sir.

The Witness: Well, would you read that question back again, please?

(Last question read by the reporter.)

The Witness: Yes, the gross sales of Deering-Milliken being the commission, yes.

Q. (By Mr. Updike) Now, during the period 1955 down to date, have you been an officer or director of the Research Corporation? A. No, sir.

Q. What, if anything, have you had to do with the activities of the Research Corporation? [1555] A. Virtually nothing, sir.

Q. What, if anything, during those years did you do with respect to the conditions of employment, the hours of work, the rates of pay, or the fringe benefits of the employees at Darlington? A. Absolutely nothing.

Q. Mr. Milliken, as a consequence of the liquidation of Darlington, and assuming that it was a mill with some forty thousand spindles, what was the result in terms of the total cotton spindles in the mills represented by Deering, Milliken and Company?

What was the effect of the liquidation on that total? A. It was a reduction of spindles obviously.

Q. To the extent of forty thousand spindles approximately? A. No, sir.

Q. Now, during all of this period did the Darlington Manufacturing Company keep its own books of account? A. Yes, sir.

Trial Examiner: Which period?

Mr. Updike: 1955, 1956, and on to date.

Q. (By Mr. Updike) Did I understand you to say they did have their own books of account? A. Yes.

Q. Where were those books kept? A. Darlington, South Carolina, at the mill.

[1556] Q. Was any duplicate of those accounts kept at Deering, Milliken and Company or anywhere else that you have any knowledge of? A. Books of account, no, sir.

Q. Did Darlington have its own stock transfer register? A. Yes, sir.

Q. Where was that kept? A. At the mill in Darlington.

Q. When any questions arose with respect to the transfer of stock on Darlington's books, do you know to whom the problem was referred? A. To the treasurer, I believe, at Darlington.

Q. And if there were any legal problems that were thus raised, do you know to whom they were referred? A. I believe Mr. Oeland, the Treasurer, referred them to the local counsel in Darlington.

Q. So far as you know, as a man experienced in Treasurer's activities are concerned, as you described here, did Darlington throughout this period keep the normal and usual accounts and records of its activities? A. Yes, sir.

Q. At Darlington under the supervision of its Treasurer? A. Yes, sir.

* * *

[1560] Mr. Dyer: I call Mr. Eliot Miller, please.

Whereupon

E. ELIOT MILLER, was called as a witness, and having been first duly sworn, was examined and testified as follows:

[1561] Trial Examiner: What is your full name?

The Witness: E. Eliot Miller.

Trial Examiner: And your address?

The Witness: Woodhollow Road, Roslyn, R. F. D., New York.

Direct Examination

Q. (By Mr. Dyer) Mr. Miller, you were—or you are with Deering, Milliken and Company; is that correct? A. Yes, sir.

Q. Can you tell us what your capacity was in 1956? A. I was the Sales Supervisor for the—in Deering, Milliken Company; I was Sales Supervisor of the goods being sold by Deering, Milliken made at Darlington Manufacturing Company. And I was also a General Salesman for various print cloth and heavy goods fabrics.

* * *

[1563] Q. And if such a customer did come in, you would discuss with him what type of cloth he wished, et cetera, and then I imagine you would note which of the mills would make that type of cloth and write up an order for that mill; is that right? A. I would like to think it were that simple. It is not quite that simple.

[1564] Q. But eventually that is what you would get down to; is that right? A. Yes. But considerable negotiation would take place between Deering, Milliken and the customer and between the Deering, Milliken Sales Department and the particular mill that would be running the cloth or could run the cloth.

In other words, we sell them except by prior agreement—we never actually sell goods in the Deering, Milliken Sales organization without prior agreement with the mills that we are selling for.

* * *

[1574] Trial Examiner: Who would decide that minimum?

The Witness: The mill would have to decide that from the way the looms are laid out in their rooms, and so on. We have no knowledge of that type of thing in the Deering, Milliken Sales Office.

* * *

[1577] Q. (By Mr. Dyer) Mr. Miller, I hand you a document marked General Counsel's Exhibit C-2 for identi-

fication, dated December 23rd, 1955, being addressed to J. M. Oeland from Eliot Miller; and I ask you if you originated this document? A. I did.

Q. The title of the document is "Market Summary."

Now, can you tell us what you mean by a market summary? A. Yes. At the end of each week I would write a summary similar to this of various things occurring throughout the market that might be of interest to Mr. Oeland at Darlington Manufacturing Company. In many cases this information would concern constructions being run at Darlington; and in many cases it would not necessarily.

It could be just general market information of what was occurring on practically any type of fabric that might give him some indication of market conditions.

Q. All right. You say this was done on a weekly basis? A. Yes, sir.

Q. Now, let me call your attention to the third paragraph. In regard to this third paragraph wherein you state that [1578] Riegel—I imagine that is a customer, Riegel Textiles? A. That is correct.

Q. —was interested in a particular construction of cloth that you have not had an opportunity to discuss with you, meaning Mr. Oeland; is that correct? A. You mean is the statement correct?

Q. I am asking when I say—well, let me rephrase the question.

You stated in here that you had not had an opportunity to discuss this particular construction of cloth with Mr. Oeland. And then you go on to state that you feel you could get 17 cents for about five hundred thousand yards first quarter.

The next statement is "Hope you will consider this and discuss with Mr. Sibley."

Now, you can tell us what you meant by the latter statement? A. Yes. To do so I would like to go back to the first sentence.

Q. All right. A. Where I say "Which we still have not had an opportunity to discuss with you."

We don't have the other things here, but I am sure that this type of thing would not have been left holding until the end of the week. So, I am sure we notified Mr. Oeland either by teletype or possibly one of his assistants by telephone if he hadn't been at Darlington at the time the [1579] situation came up.

And that is why we say we have not had an opportunity to discuss it with you. But the last sentence about "Hope you will consider this and discuss with Mr. Sibley"—naturally we, as the selling organization, were hopeful of making a sales of five hundred thousand yards. And the idea of discussing it with Mr. Sibley—Mr. Sibley was the Treasurer of a mill that had run this cloth and similar fabrics to some extent. And it would seem logical that Mr. Oeland could have gotten some assistance or technical help from him on the feasibility of running it.

Q. On the feasibility of running it, and also in regard to the price; is that right? A. I would think not. I don't think that there would have been any conversation between them about the price.

Q. I see. A. I don't know that to be a fact. I don't see why there would have been any. That would be Mr. Oeland's business at Darlington, not somebody else's.

* * *

[1584] Q. (By Mr. Dyer) Now, can you tell us what is meant by stock goods? A. Stock goods are goods that are in stock.

Q. In other words, they are goods that a mill has made which have not been sold yet? A. And they are holding in inventory, yes.

Q. All right. A. At the mill in most cases. At no time do I think Deering, Milliken ever carries any stock. We do not own any stock.

* * *

[1585] Q. (By Mr. Dyer) Mr. Miller, I have now handed you a piece of paper marked for identification as Exhibit GC C-3, being entitled "Market Summary" dated April 6, 1956. Was this prepared by you? A. My copy does not have my signature on it. Oh, yes, it does, very faintly. It was prepared by me, yes.

Q. It has your name at the top along with Mr. Oeland's? A. Yes.

Q. Now, let me direct your attention to the fourth paragraph labeled "Pocketing Twill."

Now, in this fourth paragraph you state "We understand the construction number is a 39 inch 4.50 weight 68x68 pocketing twill."

Under that you state "We understand that this is a very good running number at the mill and that you would be glad to have additional business on the cloth."

[1586] You go on to state "If we can arrange to get clearance from Department 2 and operate in a sensible way in relation to the other pocketing twills being made by the other mills, we will press for additional business."

Now, may I first ask what is Department 2? A. Department 2 is the Heavy Goods we have spoken of: drills, twills and sheetings, cotton goods.

Q. Would Department 1 be Print Cloths? A. Yes, sir.

Q. When you speak of getting clearance from Department 2, what is entailed in that? A. The word "clearance"

is a poor choice of words on my part in writing this summary. Actually, we were getting background.

Normally twills of this nature are not made with print cloth yarns in a print cloth mill. And I, as a sales supervisor, had had no experience in the sale of pocketing twills until this particular one. And we found—after Darlington took the first order and was able to make it satisfactorily and would have liked to have had Deering Milliken's Sales Organization sell more of this cloth, we found the Deering, Milliken Sales Organization might be sticking its neck into a problem where we would be bearing down the prices of pocketing twills by making a cheaper and cheaper pocketing twill.

[1587] So, I was working with a man in Department 2 that was giving me background information on pocketing twills in general.

Q. Do you mean by that making a cheaper and cheaper article that Darlington was underselling the mills selling through Deering, Milliken in making pocketing twills? A. No, sir.

Q. Can you explain what you meant by that? A. This particular cloth, 39 inch 4.50 68x68 is a lighter weight fabric than the traditional pocketing twills that are used in great volume in the market.

Q. Where you speak of operating in a sensible way in relation to the other pocketing twills being made by the other mills, what do you mean by that? A. Such as I have just been speaking of; that we did not want to, in our eagerness to sell goods for Department 1 or goods that could be manufactured at Darlington, do something that would be very short-lived. And we wanted to have the pocketing twills as such continue on a quality basis and that we were learning

that we were maybe delivering something that was not of quite as good quality as the traditional ones.

Q. In other words, other mills selling through Deering, Milliken made pocketing twills of heavier yarns? A. Yes.

Q. And I imagine Deering, Milliken established a reputation [1588] for goods of a certain class in pocketing twills and you were afraid that Darlington might hurt that reputation; is that the idea, by making this lighter weight cloth? A. Yes. But understand that it wouldn't hurt the reputation for the other fabrics that you just mentioned. But it would be entering a sleazier piece of goods into the market that requires quality; into an end-use market that requires quality.

Q. The reputation of Deering, Milliken as a selling agent might suffer if this, as you call it, sleazier material were sold through Deering, Milliken? A. I don't believe that was the point in question, that we were concerned about reputation as much as we were concerned about whether we would have short-lived business on pocketing twills from Darlington. And then we might find ourselves without business.

Trial Examiner: Before you leave that item, Mr. Dyer, I am puzzled by that word "clearance."

Now, the witness has told us that it was a poor choice of words. But I don't—if not "clearance", what was it you thought you should get from Department 2, Mr. Miller?

The Witness: Can I answer that in another way?

None of the personnel in Department 2 would tell me or Darlington Manufacturing Company that

we would not run a 39 inch 4.50 68x68 pocketing twill. That is why I say the [1589] clearance was a poor choice of words.

Trial Examiner: What would you get from Department 2?

The Witness: Market information.

Q. (By Mr. Dyer) Market information in what respect? A. Marketing information as to the pocketing twills that were standard in the market. The general pulse of the market on the traditional pocketing twills, price information, et cetera. You know, going prices.

* * *

[1590] Q. All right. Now, can you tell me approximately how many other mills were making pocketing twills at that time? A. I believe two.

No, wait a minute. Are you talking about individual mills or individual mill corporations?

Q. Corporations. Excuse me. A. Only one.

[1591] Q. All right. A. May I correct that?

To my knowledge only one making pocketing twills of all carded cotton. There may have been mills making pocketing twills and probably were of various synthetic fibers which I have no knowledge of.

Q. No pocketing twills were being made of combed cotton; is that right? A. I hazard a guess No. But I don't know that specifically.

* * *

[1599] Q. (By Mr. Dyer) What process did the salesman go through? You say he scouted around. A. The most obvious thing is that a salesman's bread and butter is in sell-

ing merchandise. So this particular salesman, where he was unable to get the delivery that his customer required, did not want to let a good opportunity pass. So he undoubtedly—and I don't know this to be specific—but I would judge that the pattern would be he would go to the mill sales supervisor of some other mill that he would know from past experience had yarn spinning possibilities, or rather capabilities, within the mechanical limitations, so it would be feasible, in other words. And he would say to this man "I have this opportunity to sell so and so many yards of goods. Would 'X' Mill be able to run it? And would they be interested?" That is undoubtedly what happened. And it worked out this way.

* * *

[1609] Q. (By Mr. Dyer) And a number of the mills were buying new looms? A. Yes.

Q. And where they bought these new looms, would they make similar requests of the Sales Department to find out what they could best make on these looms and the best price they could get? A. Yes, sir.

* * *

[1611] Trial Examiner:

* * *

[1612] Let's begin with this GC C-6 all over again. It is a week resume of the Sales Meeting which was prepared by whom?

Mr. Dyer: By Messrs. A. A. Wright and A. J. May, addressed to all salesmen.

I note that written in pencil are the initials "JOM" which would indicate Mr. Oeland receive a copy of this. Mr. May is Vice President of the Print Cloth Department.

Q. (By Mr. Dyer) Can you tell us who Mr. Wright is? A. He was the Vice President of Deering, Milliken, Inc. in charge of Sales of Department 2, Drills, Twills and Sheetings.

Q. All right.

Now, this is a joint meeting, then, of the men who are in the Print Cloth and in the Heavy Goods? A. Yes, sir.

* * *

[1614] Q. In other words, Darlington wanted to make a decision as to what goods it was going to manufacture on what looms for the next six and a half months? A. Yes.

Q. And they were seeking the advice of the Sales Department as to what would be best for them to run for the next six months? A. The advice, and more importantly, if possible, firm propositions for the business.

* * *

[1618] Q. (By Mr. Dyer) Mr. Miller, did the personnel, for instance, Mr. Oeland, visit the New York Sales Office on frequent occasions? A. On occasion, yes, Mr. Oeland specifically did.

When I say "frequent", I don't——

Q. Well, was it on a regular basis? A. No, not by any pre-determined schedule.

Q. How often would he come to the New York Office? A. Well, I would say over a year's time it would average maybe once in six or seven weeks.

Q. I see. Did any other personnel from Darlington come to the New York Sales Office? A. On a regular basis like that, no. On an occasional basis, yes.

Q. Now when Mr. Oeland came to the New York Sales Office, would he discuss the market with you? A. Yes, sir. At length.

Q. And with anyone else? [1619] A. Mr. May, the head of the Print Cloth Department.

Q. And what would the discussions—what would be the topics of the discussions? Just the particular market, or general things at Darlington, or what? A. Both.

Q. Now can you tell us whether personnel from other mills selling through Deering-Milliken also visited the New York Sales Office? A. Yes, sir.

Q. On the same basis that Mr. Oeland did? A. Yes, sir.

Hearing Officer: What do you mean by "the same basis"?

Mr. Dyer: About every six weeks or so.

Did you understand that by my question, that the personnel from the other mills, the treasurers, would visit the New York Sales Office about every six weeks or so?

The Witness: Yes, I understood it. And for the same general purpose.

* * *

[1629] Q. (By Mr. Dyer) Just to make it absolutely clear on the record: when an order is taken from a customer, what happens after that? A. When Deering-Milliken Print Cloth Department takes an order from a customer, it is done after we have previously agreed with the mill on price, delivery and quantity.

Q. All right. A. Deering-Milliken then accepts the order from the customer and usually will confirm almost immediately by teletype or possibly telephone or memorandum to the mill that we have taken such and such business as previously agreed with you—in this case as previously agreed with you, Mr. Oeland—and then the information

we are speaking of here would further be summarized on Thursday afternoon, late in the afternoon, for purposes of having up-to-date information, and no misses for preparation of the following week's Loom and Stock [1630] Report.

Q. In other words, after the preliminary negotiations, Deering-Milliken confirms that the sale about which you have been negotiating has been consummated? A. Yes, sir.

* * *

Q. (By Mr. Dyer) I have handed you a document marked General Counsel's C-8 dated July 7, 1955, being a letter addressed to Mr. A. J. May from J. M. Oeland. Now, in this letter Mr. Oeland states that he has had a call from Mr. Sibley—and I think we have established that Mr. Sibley is the Treasurer at Monarch—is that right? A. Yes, sir.

Q. Stating—— A. There are two Mr. Sibleys. And this one was not specified. But I am sure that it is the Mr. Sibley at Monarch.

Q. All right.

Stating that you, which would mean Mr. May, had asked him to quote on a 112 x 46 poplin similar to the one that we had worked on here, meaning at Darlington.

> "I furnished him all the information I could, and I am forwarding a sample today."

In the second paragraph he goes on to say:

> [1631] "I presume that Mr. Sibley was given an opportunity to quote on this, because it was 44 inches wide. And we do not have any looms that wide."

Now, can you tell us whether Monarch had been making a cloth similar to that or the same construction prior to that time? A. I would first like to call to your attention that at that time of the running of this memorandum, I was not the sales supervisor for Darlington.

Q. Excuse me? I see. A. However, I am somewhat familiar with the subject in hand there.

Now, what was your question? I am sorry.

Q. Can you tell us whether Monarch had run the construction mentioned in this letter? A. I don't think that Monarch had run the identical construction. I think they had run—I know they had run poplins of various constructions.

Q. Therefore, Darlington's Looms were only able to handle up to 40 inch cloth except for the doubled cloth where they could handle up to 81; is that correct? A. That is right.

Q. Therefore they could not handle any cloth between 40 inches and 80 inches? A. Well, there is some slight difference. I think on a 40 inch loom, Darlington could run goods as wide as 41 inches.

[1632] Or a fraction over 40 inches. But wider than that, no.

Q. Therefore, when the call came from the customer about a wider cloth, Mr. Sibley was asked to quote on it; is that the idea; rather than Darlington being asked to quote on it? A. Yes.

Q. And is it customary for the mills selling through Deering-Milliken to pass information back and forth, similar information to what Mr. Oeland says he gave here? A. Well when requested, as in this case, yes.

Q. (By Mr. Dyer) if you know, do the mills in the other categories similar pass such information back and forth between them? A. I would guess so. But I didn't know specifically of any instance. So I hesitate to answer it definitely yes.

Q. All right, thank you.

Mr. Miller, I hand you a memorandum dated November 30, 1955, addressed to Mr. Oeland from you? A. Again at this time I was not the sales supervisor for Darlington.

[1633] Q. November 30, 1955? A. That is right.

Q. Excuse me. I thought you were at that time. A. Can I just check my dates exactly? Because it is confusing.

Q. Yes. A. I recall that now. I was at this time.

Q. All right. Now, can you tell us what the purpose of this memorandum is? A. The purpose was to give information to Mr. Oeland in order to help him avoid some of the pitfalls that somebody else might have found in manufacturing a similar fabric.

Q. In other words, on this 81-inch width this cloth, you state that Gaffney had been having trouble with the cloth splitting down the middle. And you advised—— A. With another cloth.

Q. All right.

With another type of 81-inch width cloth; is that the idea? A. Yes.

Q. And you were advising Mr. Oeland here to consult with Mr. Norton and Mr. Rankin. Are they at Gaffney? A. I think I just suggested to him "it might be well for you to talk with Mr. Norton and Mr. Rankin at Gaffney."

That is the wording of the memorandum.

[1634] Q. All right. To determine what their problems were so he could avoid them; is that right? A. Yes, sir.

* * *

Q. All right. Can you tell us how you came to know that Gaffney had had trouble with that cloth? [1635] A. Well, our sales department is a fairly small department. And most all the salesmen are familiar with practically everything that goes on.

Q. I see. A. As a matter of fact, I don't know specifically, but I would guess that in this instance Mr. May may have further brought it to my attention, specifically brought it to my attention.

* * *

[1640] Q. (By Mr. Dyer) Mr. Miller, I hand you a letter dated August 31, 1955, addressed to Mr. May from Mr. Oeland. It is marked for identification, General Counsel's C-11.

* * *

[1642] Mr. Dyer: In there he mentions some fifty-four inch looms and some—excuse me. Some 28 draper automatic 54-inch looms and some X-2 looms, and 56 48-inch looms.

Mr. Oeland goes on to say "I am considering the possibility of installing some of these looms at Darlington. This is all preliminary and I have not said anything to Mr. Milliken about it. I am merely thinking out loud. I would [1643] appreciate your help and advice on whether we could properly style up these looms and which width to consider."

He states that "they are both a trifle odd size."

And he asks for Mr. May to give some thought to the matter and write concerning Mr. May's feeling about styling this type of loom with Darlington's present range of yarn numbers.

He finishes up by stating, "Having lost several styles to other mills because customers wanted a wider width has made me realize we should consider some looms wider than 40 inches here at Darlington."

Q. (By Mr. Dyer) The example of losing goods because of the wider cloth requirements—would example of that be the one we have mentioned before in the previous exhibit?

Hearing Officer: Well, I think we had testimony to that effect at the earlier hearing didn't we?

Mr. Updike: Yes, sir.

Q. (By Mr. Dyer) What I am getting to is this: In losing some of these to other mills, would that mean other mills selling through Deering-Milliken? A. Not necessarily. It could mean to competition or to other mills in Deering-Milliken or almost anything.

* * *

[1645] Q. (By Mr. Dyer) Mr. Miller in the ordinary correspondence which you see and which you write, are there any phrases which are in ordinary use by either the mills or by you which indicates mills not selling through Deering-Milliken? Do you use any particular form of words or any number of forms of words which would indicate mills not selling through Deering-Milliken? A. That is a very broad question. Because you can be talking about a variety of instances.

Now perhaps I can answer your question in another way. In a specific instance if I were reporting to Mr. Oeland the loss of business for his mill for any one of the variety of reasons, I would undoubtedly specify what mill did get

the business if I knew, by name—specify the mill by name; whether it be a mill selling through Deering-Milliken and Company or whether it be a competitive mill.

* * *

[1646] Hearing Officer: All right, Mr. Dyer.

Q. (By Mr. Dyer) Mr. Miller, I have handed you an exhibit marked for identification, General Counsel's C-12, dated September 7, 1955, addressed to Mr. Oeland from Mr. May.

Would this be the reply to the letter dated August 31st, 1955, General Counsel's C-11? A. Yes. In his first sentence he says it is a reply to that letter.

Q. All right.

Now, in this memorandum, Mr. May makes references to [1647] several styles—or rather to three fabrics currently run at Darlington on 40-inch looms being woven in wider widths on 46-inch looms at Gaffney and Monarch Mills. And he names the particular cloths.

He then goes on to state that these might fit into Darlington's picture, particularly at 112 x 46 poplin rib provided sales could be made for first quarter delivery to the extent of 56 looms over and above the hundred looms now on at Monarch.

He states please check, with Mr. Sibley. And he mentions a price of 31 cents per yard.

Now, would that mean that Mr. Sibley at Monarch had 100 looms running on that particular cloth? A. Yes. In paragraph 4 Mr. May has shown that there are 100 looms on at Monarch.

Q. And what would Mr. Oeland have to check with Mr. Sibley about? A. Again I think this is very similar to

testimony that we covered yesterday. Undoubtedly the most important thing would be for him to check on the manner of manufacturing the goods.

Now in that train of thought I call to your attention the parenthetical word "rib". The basic difference between the 44-inch poplin being run at Monarch on 100 looms to the same cloth run narrower at Darlington was that Darlington was not running a rib poplin. They were running a—they were [1648] running what is known as a broadcloth poplin. And there is considerable difference in market acceptance of it. And I am judging that where Mr. May recommends "please check with Mr. Sibley", that it could very well have to do with such manufacturing technicalities as that fact.

Q. Well, in the paragraph prior to the description of the looms, Mr. May states that there are three fabrics currently run at Darlington on 40-inch looms that are being woven on wider looms. That would seem to indicate that Mr. Oeland at Darlington was running the same goods rather than a different goods; is that correct? A. It would seem to indicate that. But my memory serves me that that is not exactly the case; that there was the difference between a broad cloth poplin and a rib poplin. Both of which are loose terms.

But they serve to describe the difference in appearance of the cloth.

* * *

[1650] Hearing Officer: May I say I am interested, and I thought we were on this before. But before we leave it, I am interested in this phrase "over and above the 100 looms now at Monarch."

The Witness: Do you want me to enlarge on that?

Hearing Officer: Yes. I thought you undertook to answer Mr. Miller. But I don't quite understand it.

The Witness: Well, I think it is necessary to understand the position of a sales department head to properly answer this question.

As head of the Print Cloth Department of Deering-Milliken and Company, Incorporated, Mr. May was responsible to Deering-Milliken to—I was going to say to sell the merchandise from these various mills, but he actually himself was not selling the merchandise; he was——

Hearing Officer: He was responsible for the sales?

The Witness: He was responsible for the sale of this merchandise, yes. One of the most important functions that [1651] a sales manager in such a capacity serves is to forecast sales in order that the mills that Deering-Milliken and Company were selling for could plan their production, which mechanical and technical changes frequently require considerable length of time and great expense.

In this case, Mr. May is, on the one hand, in paragraph No. 4, indicating to Mr. Oeland that Monarch has had some success with this cloth and with selling it through Deering-Milliken; but in paragraph 5, he says that——

Hearing Officer: Now which?

The Witness: Paragraph 5, beginning: "Of these fabrics."

Hearing Officer: Yes.

The Witness: Mr. May says to Mr. Oeland that it would be wise to consider running such a fabric if the sales department, Print Cloth Depart-

ment, of Deering-Milliken were able to sell the production of the 56 looms that Mr. Oeland might be able to assign to such a construction.

Mr. May did not want to have Darlington or any other mill make a lot of cloth that Mr. May would not be able to dispose of through the General Market channels.

Q. (By Mr. Dyer) Well, was that part of the information which he asked Mr. Oeland to check with Mr. Sibley? A. He doesn't specify that. I would imagine that that would come into any discussion the two mill treasurers would have. But that is the type of thing that would be—such [1652] information would be more known in the sales office than in either of the mills in question.

Q. Well, may I suggest this: Would it be possible that Mr. Sibley was planning to put on more looms; and before Darlington should consider buying these wider looms, they should check with Mr. Sibley to see if he was going to increase his production on that particular number?

Mr. Updike: I don't think there is any such inference in this memorandum. I am sure the witness at this point is just guessing as to its significance.

Mr. Dyer: I think there is such an inference.

Mr. Updike: I don't see any such inference at all.

The Witness: I think what he is saying here is that provided sales could be made.

In other words, providing that I, Mr. May, could make sales for first quarter delivery to the extent of your prospective 56 looms over and above the 100 looms' production that I am already responsible for. I think that speaks for itself.

* * *

[1656] Q. (By Mr. Dyer) Mr. Miller, when Darlington decided to purchase new 50-inch looms, in 1956, did you receive requests from Mr. Oeland concerning what styles would be best for these [1657] new looms? A. I don't remember a specific request, but I am sure there were requests, both written and oral.

Q. And did you make suggestions to Mr. Oeland as to what styles would best fit on these new looms? A. I am sure that I did, if not directly to Mr. Oeland, through Mr. May to Mr. Oeland.

Q. All right. A. And probably both Mr. May and I to Mr. Oeland.

Q. In answering his request, did you make a survey of the market to determine what goods would probably go to the wider looms? A. We would make a survey of the market to determine what we as sales people would be able to sell.

* * *

Hearing Officer: Yes.

Q. (By Mr. Dyer) I hand you a document marked for identification General Counsel's C-13, dated April 3, 1956, addressed to the Mill Treasurers at Gaffney, Darlington, Monarch and Pacolet from A. J. May: subject, "Tar Spots."

* * *

[1658] Q. All right. Was there a problem at the time mentioned [1659] here in the memorandum in regard to tar spots with the mills enumerated? A. Are you asking was there—are you asking were all the mills enumerated having a tar spot problem?

Q. All of them or most of them or some of them. Were they having tar spot problems at that time?

A. This memorandum specifies that Monarch had a particular complaint on hand. I don't know that any of the other mills had any specific problem at that time. But it is the kind of thing that can pop up any time in any mill.

Q. Do you know whether Darlington was having any troubles at that time? A. I believe sir, not.

Q. Now in the next to the last paragraph, Mr. May states: "It is possible that this tar spot situation might get worse and that Deering-Milliken could effect a tremendous loss, especially if there is a decline in the market."

Now, that would be brought about by a customer's refusing to take the goods with the tar spots? A. Would what be brought about?

Q. The tremendous loss referred to? A. That could mean tremendous loss of good will if we had—if Deering-Milliken had serious complaints from top-rated customers.

Q. It could also mean tremendous loss of money, could it [1660] not? A. As a result of loss of sales, loss of potential sales, yes.

* * *

[1668] Q. (By Mr. Dyer) Mr. Miller, I have handed you an exhibit marked for identification, General Counsel's C-14, dated August 1, 1956, addressed to Mr. Oeland from Mr. May.

I see that a copy of it was received by you? A. Yes, sir.

* * *

[1670] Hearing Officer: I think this would be helpful. I think the witness is telling us, Mr. Dyer, that in this memorandum, Mr. May suggested to Oeland that Darlington produce a certain construction—is that the right word?——

The Witness: Yes, sir.

Hearing Officer: —so that Deering-Milliken could sell that along with Monarch's similar construction, Monarch's, however, being of premium quality.

The Witness: That is the suggestion, yes.

Q. (By Mr. Dyer) Well, is it the suggestion that Darlington's would not be a premium quality? A. In a sense, yes. But you have to understand that premium is not only due to graduation of quality, but is due to acceptability in the market.

Strangely enough, again talking about the vagaries of the greige goods, the cotton greige goods market, some customers will—or some customers do at the present time [1671] accept certain makes of 39-inch 4 yard 80 square as premium make fabrics. And yet everybody having any technical information in the market knows that there are other makes that quality-wise are actually better.

Q. Well, was the quality of Darlington on making this 80 square to be commensurate with that of Monarch? A. Roughly so, yes. I think that that is a very difficult comparison to make, because there are numerous manufacturing differences between any two mills that would create differences—for instance, most weavers claim that they can identify a piece of cloth made in their mills just by looking at it. If they had a hundred pieces of cloth thrown at them a weaver can identify his cloth.

Q. Monarch is a carded mill, is that right? A. Yes, sir.

Q. And this Monarch was also carded? A. Yes, sir.

Q. At the time this memorandum was written, when Mr. May refers to "which we are endeavoring to put in the premium class and ask commensurate prices", would that be by way of advertising that they were endeavoring to put it

in the premium class? A. No, sir. At Deering-Milliken we don't advertise any of our greige goods, any of our cotton greige goods.

Q. Let me ask, then: Would it be by salesmanship that you [1672] were endeavoring to put it in the premium class? A. Yes, sir.

Q. I am trying to differentiate in that we are not trying to change the mill's quality of it in any way. A. Deering-Milliken was not trying to change the quality of the cloth.

Q. That is right.

And Darlington's by salesmanship could also presumably be put in the premium class? A. Conceivably, yes.

* * *

[1673] Hearing Officer: Let me ask what or who determines whether a given construction will be put into a premium class?

The Witness: I think to say that it can be determined would be wishful thinking on anybody's part. I think that actual establishment of the fact occurs when the market for such fabrics actually accepts a fabric as a premium fabric.

Hearing Officer: Well, I thought you had just told us that conceivably Darlington's production could be put into premium class by salesmanship?

The Witness: Conceivably, yes.

Hearing Officer: You mean if the salesmanship is successful?

The Witness: That is right.

Hearing Officer: Well I was wondering whether there is a predetermined effort to put one thing into a premium class and into another—one mill's con-

struction into a premium class and not another mill's construction.

The Witness: I think that would be just a question of practicality. I don't think that—I don't know quite how you could do it otherwise, other than by stressing your efforts in one direction rather than another.

For instance, an individual would have to stress his efforts in one direction.

* * *

[1675] Hearing Officer: Yes. I would have guessed at something like this. But the witness had previously told us Mr. Updike that conceivably salesmanship might determine whether a given construction was premium.

Mr. Updike: I understand that. What I think he means is that some portion of Darlington's production, because it had better cotton, or longer staple, or what not, might have been sold as premium because that particular run was good; it would meet the market standards for premium. Even though it was not aimed at the premium market by the mill itself.

Am I correct in my understanding?

The Witness: That is correct, yes.

* * *

[1676] Q. (By Mr. Dyer) I may have been mistaken but I think you said some of the standard makes were technically superior to some of the premium makes? A. I say that could be possible, yes.

Q. In other words, the reason for setting up one as premium and one as standard is in connection with the mar-

ket acceptability of the named mill? A. Certain mills have a reputation of making premium cloth all the time, and that determines whether they go into the market as premium cloth; is that right? A. Yes.

Q. I think that is the point I was bringing out about the salesmanship. If the salesman can establish through [1677] salesmanship and through the goods themselves that this is a premium cloth, then that would be generally accepted in the market as a premium cloth?

Mr. Updike: That is a curious set of assumptions. If the salesman can establish with customer "A" that it is a premium cloth, as far as that customer is concerned it is a premium cloth without it seems being accepted by the entire market as a premium cloth.

Mr. Dyer: I grant you that. But once accepted by one, would not the effect travel to others? That is what I am getting at?

The Witness: May I interject to possibly clarify a little further? I may have confused the issue. There are two interpretations of premium. There are premium prices and there are premium qualities.

Now, the small number of makes of premium quality goods that we referred to, three or four mills, are premium quality and generally they get premium prices. But it is conceivable that they could not at certain dull times of the market, or for any number of reasons they might not get a premium price.

On the other hand a sub-standard or a standard make could, due to availability, get a premium price but possibly not premium quality.

I am sorry if I confused it.

[1678] Q. (By Mr. Dyer) In 1956 was Mr. G. H. Boynton with the fabric Development Department? A. Fabric Development?

Q. Yes. A. No, sir.

Q. What department was he with? A. Yarn—I believe it is yarn purchasing. I guess he both purchases and sells yarn. But it was involved with yarn and synthetic staple.

Q. Now, in that capacity, do you know whether he was on the lookout for new types of yarns such as the Colvadur, the high wet strength German staple?

Do you know whether he was? A. Yes.

Q. And when he got that information did he pass it on to the mills with regard to it? A. He would pass it on to the mills selling through Deering-Milliken; and he would in many cases pass information of that sort on to the various sales departments of Deering-Milliken.

Q. All right.

Do you recall, Mr. Miller, in November, 1955 passing on to Mr. Oeland a memorandum in regard to non-woven fabrics? A. Yes, sir, I do.

[1679] A memorandum not written by me?

Q. That is right? A. Yes.

Q. I believe the memorandum itself was written by Charles Clausen, addressed to Roger Milliken; was that right? A. Yes, sir.

Q. Can you tell us what position Mr. Clausen held at that time? A. He was a salesman in Department 2, Drills, Twills and Sheetings, of Deering-Milliken and Company, Incorporated.

Q. All right. A. He may have been a sales supervisor, but I am not just sure of that date. Around that time he was.

Hearing Officer: The witness told us he passed that memorandum on to whom?

Mr. Dyer: The memorandum of Mr. Clausen went to Mr. Milliken.

Q. (By Mr. Dyer) When you become sales supervisor for Darlington you passed this memorandum on to Darlington? A. Yes, sir.

Q. Can you tell us what the idea was for you to pass it on to them? A. What the idea was of my passing that on to Mr. Oeland?

Q. Yes, sir. A. At that time we had very little in the way of formal [1680] market research.

But from time to time various salesmen and/or mills sales supervisors were either assigned specific research tasks or volunteered specific research task.

And in this particular case Mr. Clausen had made quite some lengthy study of the non-woven fabric market. And I think he traveled a good deal—well he went into all phases of non-woven fabrics. And when he prepared his report, he filed it with Mr. Roger Milliken. And it was of considerable interest to the various sales departments of Deering-Milliken due to the fact that non-woven fabrics could very easily eat into the woven fabrics that we were selling. And we felt that that would be of interest to Mr. Oeland to read it, to say nothing of being up to date on new technical developments in the market in general.

Q. Was the same memorandum made available to the other mill treasurers selling through Deering-Milliken? A. I don't know that it was sent to all the other mill treasurers of mills selling through Deering-Milliken. But I am sure it would have been available.

If the sales supervisor had wanted to send one to the mill that he was most closely associated with or if any of

the mill treasurers had requested it, I am sure that it would have been available to them.

* * *

[1686] Q. I see. Was a sample room set up at Monarch wherein various finished and greige goods from all the other mills were displayed? From all the other mills selling through Deering-Milliken? A. A room was there that had a number of samples in it. I don't believe it was set up for only that purpose. It seems they used a room that was used for other purposes, and incidentally displayed samples.

Q. Well, were samples displayed from all the other mills selling through Deering-Milliken at the Monarch Sample Room, or whatever you want to term it? A. It is quite possible that some samples from some other mills were displayed. I don't know that all of the mills selling through Deering-Milliken had samples in such a display.

Q. Can you tell us whether requests were made of those mills to provide samples for this room? A. I can't tell you that. I would judge, particularly in the field of finished goods, that requests were made of Deering-Milliken Company Sales Department to try to get finished samples from various customers.

Q. Can you tell us whether a request was made of Darlington to provide some goods for this sample display, I will call it? A. I don't remember specifically. But I would judge that [1687] they were invited.

* * *

[1689] Q. (By Mr. Dyer) Mr. Miller, in 1955, did the sales department have an annual sales meeting? A. Yes.

* * *

[1690] Q. (By Mr. Dyer) In 1955 was the sales meeting just a meeting of the sales personnel exclusively? A. No.

Q. Who else came to the sales meeting? A. The mill treasurers and/or their managers of the various mills which were selling their products through Deering-Milliken and Company.

In some cases various mill treasurers would send technical people, production superintendents, people of that sort. Some of the officers—well not necessarily officers, but maybe some of the Department Heads and possibly officers of Deering-Milliken other than the Department Heads immediately interested in the sales meeting might attend.

Q. Now in 1956 was that type of meeting revised? A. Yes, it was.

Q. And what sort of meeting took its place? A. Well, between the sales meetings of 1955 and 1956, the sales supervisor position came into being. As a result of that in 1956 the sales meetings were put on a more individual basis where in my particular case where I met with Mr. Oeland of Darlington Manufacturing Company and other officers and Department Heads of Deering-Milliken and Company Sales Departments.

[1691] Q. Do you mean that your position as Sales Supervisor was created in 1956? A. In 1955.

Q. When? The later part of 1955? A. I think in October some time.

Q. All right.

I show you Mr. Miller a copy of a memorandum dated August 21, 1956, addressed to Mr. Oeland from Mr. May. The second paragraph states: We are specifically assigning Darlington Manufacturing Company to Wednesday September 26 in the morning. Would appreciate your advice as to whom from your mill you would like to attend with you on this date at 10:00 a.m."

Now were similar times assigned to other mills selling through Deering-Milliken? A. I think you should understand that this in particular—in this particular instance, Mr. May was acting as chairman pro tem of the meetings. And he was trying to get together an agenda—trying to get together individual agendas for the various mills selling through his department of Deering-Milliken; and he was also best trying to arrange for the various mill treasurers—you know, for whatever time would be most convenient to them. And I think in this particular case, he had selected a certain day and a certain time for Mr. Oeland. And he was suggesting it to him.

Q. All right. Now, was Mr. May present at each of the [1692] meetings? A. When you say each of the meetings, can you——

> Hearing Officer: The previous question was, were similar assignments made for meeting to the various other mills?
>
> Mr. Dyer: Yes.
>
> The Witness: I believe so.
>
> Yes, the answer is yes.

Q. (By Mr. Dyer) Was Mr. May attempting to be present at each of the meetings that the various mills came to? A. Yes.

Q. So that was why he would have to set up a roster so that he could be present at all of them; is that the idea? A. Yes. And as he points out here, in addition to the mill supervisor—the sales supervisor and the mill personnel from each of the mills involved, that Mr. May was arranging to have appropriate salesmen in attendance, which he also had to arrange.

* * *

[1694] Q. (By Mr. Dyer) Now, Mr. Miller, when did you first find out that Darlington Manufacturing Company was going to be liquidated? A. I don't know the exact date. But after the meeting of the stockholders, I would judge that it was shortly thereafter. I don't know that it was the day after or maybe two days after. But it was shortly after the meeting of the stockholders.

Q. Well, did you attempt to make plans regarding the liquidation and the necessary arrangements that would have to be made with regard to the orders then on hand at Darlington right after the Director's meeting? A. You say did I attempt to make plans?

Yes, I did. I had to make—you have to make plans as a salesman; or as a sales supervisor, you have to make [1695] plans for various eventualities.

Q. And when did that planning start? That is what I am trying to find out. A. Well I would say that immediately following the information that I got about the first meeting that was held, I, as a sales supervisor——

Hearing Officer: Which first meeting?

The Witness: Which was the Board of Director's meeting?

Is that what you are referring to?

Mr. Dyer: Yes, sir.

Hearing Officer: You mean Darlington's Board of Directors?

The Witness: Yes, sir.

Hearing Officer: All right.

The Witness: Immediately after receipt of the information concerning that meeting, I had to start making some plans.

* * *

[1696] Q. (By Mr. Dyer) Mr. Miller, can you tell us the facts surrounding the memorandum you hold in your

hand? A. After the decision was made prior to this time to liquidate Darlington Manufacturing Company, Mr. Oeland advised me and Mr. May in Deering-Milliken Print Cloth Department that he would not be able to deliver the 140,000 yards of cloth for this particular customer.

* * *

[1697] A. Upon receipt of the information from Mr. Oeland that he would not be able to fulfill the contract obligations, we attempted—which is not covered in this memorandum—we attempted to have the customer relieve Deering-Milliken and Darlington Manufacturing Company of the obligation, which the customer refused to do. And I then contacted, as I say here, through a cloth broker and then through Chicopec Manufacturing Company to have someone take on these contracts, which we were unable to do.

The customer was insistent on delivery and quality and so on. Until finally it was a serious situation where we felt obligated to the customer. And we were able to arrange with Gaffney Manufacturing Company to make a similar cloth, not quite the same, due to, oh, some limitations that Gaffney had. And I am not just sure why there had to be a change in construction. But there was a slight change.

Q. (By Mr. Dyer) Did you conduct the negotiations for all this? A. Yes, I did.

With the exception of negotiations with the customer himself. I did not do that.

Hearing Officer: Is Chicopec a mill that sells through Deering-Milliken?

Mr. Dyer: It is not, as I am informed, no, sir.

Mr. Updike: It is not, no, sir.

[1698] Mr. Dyer: Gaffney is, however?

Hearing Officer: Yes.

Q. (By Mr. Dyer) Now to leave that particular subject for a minute, can you tell us approximately how many—can you tell us what the extent of the orders on hand were for Darlington in September 1956; how far in advance was Darlington sold at that time? A. At what time?

Q. September 1956. A. The mill overall I would judge was probably sold up for about six or seven weeks at the time. However, specific constructions—the production of specific constructions might have been sold up well into the first quarter of 1957. But I can't be that specific without referring to some kind of history on it.

Q. And in regard to the—in regard to the orders that were sold for a future time, which deliveries would have been called for after Darlington had been liquidated, what was done with those orders?

> A. In every instance, Darlington first of all attempted to—Darlington Manufacturing Company attempted to meet the delivery obligations stipulated in the contract. Where they were not able to, as in the case in point of this Exhibit C-19, attempts were made to make delivery from other sources, from other mill sources.

[1699] Q. When you refer to "other mill sources", do you mean other mills that sell through Deering-Milliken? A. In this particular instance, we tried very hard to work with mills other than mills selling through Deering-Milliken and Co., as stated here.

Q. Let me ask you if you first contacted mills selling through Deering-Milliken before contacting mills which don't sell through Deering-Milliken?

Or didn't, rather? A. That is difficult to answer.

I would imagine that if contact was not made directly with mills, with other mills, selling through Deering-Milliken, that I might personally have made contact with other sales supervisors in New York just from the standpoint of gaining information.

Q. Well, can you tell us of all the orders that were on hand at Darlington which Darlington was not able to fulfill, were all of those orders either cancelled in part or filled by other mills selling through Deering-Milliken? A. Yes.

Hearing Officer: Read that question back.

(The question read by reporter.)

Q. (By Mr. Dyer) Were most of the orders that were on hand at Darlington carried out by the other mills or can you give us a percentage of what part of the orders were cancelled? [1700] A. You want the relationship of orders cancelled and orders completed by other mills selling through Deering-Milliken.

Q. Yes.

Mr. Updike: Mr. Dyer, you will recall that you have been all over this ground with Mr. Phillips in its great detail. And you have asked for the production of Mr. Phillips. We propose to cover all of this at that time.

Aren't we just duplicating—I am not sure that this witness can do anymore than wild guesses, whereas, as you know, the actual facts have been worked out. And they have been exhibited to you through the person of Mr. Phillips.

Mr. Dyer: Well, I was not sure that this exact information would be covered through that. I

thought a great part of it was. But since this individual was the sales supervisor for Darlington, I thought he could just answer these questions. I don't intend to pursue it any further than this, sir.

Mr. Updike: Anything he gives you will just be an approximation compared with the exact information.

Mr. Dyer: All right. I will withdraw it.

Mr. Dyer: That is all I have.

Mr. Janes: I have no questions, Mr. Examiner.

* * *

Cross Examination

[1705] Q. (By Mr. Updike) All right. Now just taking two mills within the range of your experience, will you explain to Mr. Buchanan this difference in policy and the application of it, please? A. Using specific mills or just using——

Q. Well, using "A" and "B" if you want to. A. All right.

Mill "A" which might be known by common language as a "free-seller" would be a mill that would sell every yard of cloth they estimate they can produce for the next three months, six months, nine months or maybe even a year ahead of time. I imagine there are some mills that at one time or another might sell their production for more than a year ahead.

I think that would be a little unusual. Whereas, Mill "B" might take an altogether more conservative attitude and sell their production through a selling agent such as Deering-Milliken for very nearby deliveries.

Possibly for only 90 days; possibly only a certain portion of their production for ninety days ahead.

Does that answer your question?

Q. Yes, it does. And in your relationship with the mill treasurer, does the mill treasurer instruct you with respect to his policy in that regard? [1706] A. Very specifically, yes.

Q. Are there—as between those two extremes are there some operations that are long-term on certain constructions and nearby term on others? A. Yes.

Q. Within the group that you have been testifying about as the Print Cloth Mills for whom Deering-Milliken and Company sold, did these variations in policy exist to your knowledge? A. Yes.

* * *

[1709] Q. Mr. Oeland was urged by you, was he not, and by Mr. May as well, to make 80 squares on the new 50-inch width looms that were due to come into Darlington some time in August or September? Do you recall that? A. I don't recall that he was urged specifically to make 80 squares on the new looms that he was planning to buy or that perhaps by that time he had already contracted to buy.

We had suggested a number of different constructions to him for those looms. We had likewise suggested 80 squares to him. But I don't know that we ever had specifically for those new looms.

In other words, it would be his decision to make as to which looms he would make a certain construction on.

Q. Well, whether it was those particular looms or not, is it your recollection that in, say, June or July of 1956 you and Mr. May had been recommending to Mr. Oeland that he make 80 squares? A. Yes, sir.

Q. What did he do with regard to that recommendation? A. Well, I don't recall the exact date, but for various reasons Darlington Manufacturing Company was not able

to [1710] make 80 squares and be able to allow Deering-Milliken Company to sell them competitively. And we had various replies from Mr. Oeland about that.

I remember at least one letter about that. And there may have been more. We also had meetings in person where we discussed the same subject.

* * *

[1714] Q. At any time that you can recall, did either you or in your presence Mr. May, ever tell or instruct Mr. Oeland or Darlington to make any goods either for inventory purposes or otherwise? A. No, sir.

* * *

[1716] Q. Now, who, if you know, conducted the final negotiations with respect to the completion of this unfilled portion of this contract by Gaffney Manufacturing Company? A. Well, by "the final negotiations," I am not clear what you mean?

Q. Well, the final determinations as to the price that was [1717] to be paid to Gaffney for doing it. A. I wasn't present. But it is my understanding that that was done between Mr. Oeland and Mr. Norton of Gaffney Manufacturing Company. Now, I don't know whether it was done by telephone or by correspondence, or what.

* * *

Recross Examination

[1722] Q. (By Mr. Updike) Mr. Miller, you will note in the first paragraph of this letter (GC C-8), Mr. Oeland says to Mr. May that he, Oeland, had a call from Mr. Sibley stating that you, meaning Mr. May, had asked him, Sibley, to quote on 112 x 46 poplin similar to the one "we had worked on here" meaning at Darlington.

Now, Mr. Oeland says he gave Mr. Sibley the answer.

Mr. Dyer: Gave him all the information he could. And "am forwarding a sample."

Pardon the interruption.

Mr. Updike: That is right.

Q. (By Mr. Updike) Now, Mr. Buchanan wants to know first of all to what extent was this a practice within the mills represented by Deering-Milliken to the extent you know about any such practice? A. I really can't answer to what extent it was a practice. I think I can give a little more background to this particular instance. Because the two gentlemen in question, Mr. Oeland and Mr. Sibley—here again this is Mr. Sibley of Monarch Mills we are referring to—we are very close [1723] personal friends and have been for quite a number of years—we had worked together for quite a number of years before Mr. Oeland went to Darlington.

So I would assume that this was somewhat unusual, but not completely unique.

Q. Do you know whether the giving of such information is common in the trade as distinguished from its uniqueness or unusualness as between these two concerns? A. Common in trade, meaning the exchange of information from one competitor to another?

Q. Yes. A. Technical information I would say to a great extent is exchanged.

For instance, we had this question of tar spots a little while ago which there have been great meetings, convocations, if you want to call them, where people have exchanged information.

Now, as far as specific information on a specific cloth, I don't know that that would be readily exchangeable. It doesn't seem practical.

* * *

[1724] CHARLES W. KABLE called as a witness, having been first duly sworn, was examined and testified as follows:

Hearing Officer: State your full name.

The Witness: Charles W. Kable.

Hearing Officer: Where do you live?

The Witness: 86 Brook Street, Garden City, New York.

Direct Examination

Q. (By Mr. Dyer) What is your position with Deering-Milliken? A. I am Assistant and Assistant Treasurer.

Q. And as the Assistant Treasurer, what department do you control at Deering-Milliken? A. I supervise the activities of the tax department of Deering-Milliken and Company.

Q. All right.

And how long have you been with Deering-Milliken and Company?

[1725] A. Since 1942, in January.

Q. Did you have any association with any of the mills selling through Deering-Milliken prior to that time? A. No, sir. I was a certified public accountant specializing in taxation with one of the major firms in New York.

* * *

Q. Could you briefly state for us in general what services your department performs for Deering-Milliken and Company? A. Yes, sir. The Tax Department is responsible for the drafting and preparation——

Mr. Janes: Will you speak up a little?

The Witness:—of all the income and franchise tax [1726] returns.

I should have said Federal and State Income and Franchise Tax Returns of Deering-Milliken.

Mr. Janes: I will have to ask you to speak up a little louder. I can't seem to hear you.

The Witness: Milliken Woolens, Inc.; Redlyn, which is another wholly-owned subsidiary of Deering-Milliken; Minot Mercantile.

Mr. Updike: It wasn't in 1956, was it?

The Witness: Yes, it was in 1956.

Mr. Updike: Very well.

The Witness: Minot Mercantile Corporation, Woodbank Mills, Inc., and Sylvan Corporation.

In addition to that, the management had made available the services of the tax department to all mills sold by Deering-Milliken and Company.

Q. (By Mr. Dyer) On what basis had that been made available? A. It was made on the basis of the proportionate part of the time, the weighted time, of the tax accountants working on all work allocated to each mill over the total of the expenses of the Deering-Milliken Tax Department.

In other words, the actual budgeted expenses of the Deeering-Milliken Tax Department had been divided down on a time basis.

[1727] We did that rather than charge a regular per diem rate because the per diem rate would have involved us in some profit or loss. And we preferred to do it the other way.

Q. All right.

Hearing Officer: Were the charges made to the mills?

The Witness: That is the basis of the charge to

the mills. It is as closely as we can get it. It is an actual cost basis.

Q. (By Mr. Dyer) Now let me see—I may have missed some of that.

In other words the Tax Department takes care of all the Federal, State—— A. Federal income tax returns, state franchise and any other state returns; and in the South Carolina Corporations we also take care of property taxes, which has a combination effective state and local taxation. The State makes assessments which are then communicated to county auditors in South Carolina. You may be familiar with that. I don't know.

Q. No. I don't live in South Carolina. A. In other words it involves both State and Local taxation here in South Carolina.

Q. In doing that, in handling all those materials for all the mills, as well as for the other corporations affiliated directly with Deering-Milliken, do you complete the returns for the different mills, file the returns for them? [1728] A. Yes, sir.

It was for that reason that some years ago along around 1950 when I had been with the organization quite a while that the mill treasurers whom I served on a power of attorney basis up to that time delegated to me certain, shall we say, available offices so that I would have the right to sign returns.

Q. In other words, were you made, say, an assistant treasurer at one mill or an assistant secretary at another mill? A. That is right. It is a very complex pattern. But all mills were involved in that.

Q. And so therefore you are either an assistant treasurer or an assistant secretary or hold some similar function

at all the mills selling through Deering-Milliken? A. Serving without compensation, yes, and with no authority in any matter except the matter of settling tax disputes with Federal and State authorities.

Q. In other words, you would handle—where a return was filed and some question arose either with state or federal authorities, it would be within your power to settle that matter with the federal or state authorities on behalf of the mill? A. It would be within my power but I would never do it without the consent of the mill treasurer, I can assure you.

* * *

[1729] Q. Therefore you did not attend any of the quarterly treasurer's meetings? A. No, sir.

Q. Or any of the Board of Director's meetings of any of the mills? A. No, sir, I am not a director of any of the mills.

* * *

Mr. Dyer: I have had marked for identification a letter addressed to Mr. Kable from Mr. Oeland as General Counsel's D-1, dated January 24, 1955. I now offer it in evidence.

Mr. Updike: No objection.

Hearing Officer: General Counsel's D-1 is received.

(The document above-referred to, heretofore marked General Counsel's D-1 for identification was received in evidence.)

Q. (By Mr. Dyer) Now in regard to this letter, Mr. Kable, this letter has to do with the Deering-Milliken Research Trust [1730] and its incorporation; is that correct? A. That is correct. It was a reorganization.

Q. All right. Can you tell us what you had to do with the reorganization of the Deering-Milliken Research Trust? A. Well, all I had to do with it was to consult with tax counsel, and under his guidance formulate a plan——

Hearing Officer: Under whose guidance?

The Witness: Tax Counsel.

Hearing Officer: Thank you.

The Witness: Mr. Phillips.

Q. (By Mr. Dyer) Of the firm of Ivins, Phillips and Barker in Washington? A. Yes, sir. I worked with Mr. Phillips a great deal, and he was always guiding our efforts in these respects.

I should go back a little bit in this.

When the Deering-Milliken Research Trust was organized as a cooperative research effort in 1945, Mr. Phillips and I attended a series of conferences with representatives of the Treasury Department. At that time the Research Trust was housed in the building in Greenwich, Connecticut, which they owned. And by wisdom after the fact, the men in the Treasury Department saw that the balance sheet of the corporation had a substantial proportion of building and other capital-type assets.

Q. When you say "the corporation", what do you mean? [1731] A. I beg your pardon. I mean the Research Trust had a great proportion of building-type assets. So this led to a negotiation whereby it was determined that they would permit the mills who were contributing to the research effort only to deduct eighty percent of the amounts assessed by the Research Trust which they required on every year.

The 20 percent theoretically went into building and heavy machinery and other things that we used which were capital in character.

Later the Deering-Milliken Research Trust moved to Pendleton, South Carolina. And when it did, it had space made available to it in a building that was being constructed by Excelsior Mills in its finishing plant which was rented to the Deering-Milliken Research Trust.

After that happened, the mills started complaining about the fact that they only got 80 percent of their contributions to research deducted on their returns. And what they were doing was accumulating a non-depreciable asset, if you can visualize this, on the balance sheet for which they got nothing in return.

I mean whatever was used by the Deering-Milliken Research Trust was in the nature of the expenses of operation of a research organization at that time. Yet they were only still getting 80 percent of it because of the previous type of operation.

[1732] That was what triggered this plan.

Now, under the plan we organized a corporation——

Q. When you say "we", who do you mean? A. Mr. Phillips and I worked this up and presented it to the mill treasurers.

This plan has already been passed by the mill treasurers of every mill. And their ownership of every mill, was evidenced by these so-called certificates of beneficial interest, which add up to $14,000.

This is what Darlington Manufacturing Company had as a frozen asset at that time.

What we did——

Mr. Updike: When you say "this" are you referring to the figures in the middle of the exhibit, which General Counsel has marked D-1?

The Witness: Yes, sir. These various items represent 20 percent of contributions made at various times by the Darlington Manufacturing Company to the Deering-Milliken Research Trust which had not been allowed as deductions and which appeared on the balance sheet of the Darlington Manufacturing Company as a frozen asset.

The corporation was organized on the basis of an appraisal made by the Milliken Treasurers in collaboration with Dr. Armitage and the management of the Deering-Milliken Research Trust.

[1733] They determined on the basis of operations as they were at the time this change took place, that 2 percent would be ample for capital.

Therefore they got their money back less one-tenth of the amount of the money which was retained for an equal proportion of the total number of impounded amounts and translated into a capitalization for the Deering-Milliken Research Corporation, the new corporation.

It is a little bit difficult. I hope I have made it plain.

Now there are two other things. This thing is complicated by two other factors here. The Deering-Milliken Research Trust, during this fiscal year 1955, had an extended program under which they were trying to develop certain things which later bore fruit; but they were just spending great amounts of money at that time. They needed additional funds just so they could get through to the end of their next six months or something like that.

So, this is complicated by two other numbers, one of which constitutes a current amount, which is required, and the other immediately after this transaction we had to make an initial assessment to the corporation of $10,060.84.

* * *

Q. (By Mr. Dyer) May I call your attention to one thing.

[1734] Mr. Oeland states here, "We are planning to incorporate with our minutes the plan as outlined in your letter of January 12."

Can you tell us what the plan referred to is?

Mr. Updike: Is that the plan you have just described?

The Witness: The plan which we just discussed and which was approved by the Treasurer of the Mill in advance as holders of these certificates of beneficial interest which represented equity or ownership.

Q. (By Mr. Dyer) Now, in your letter sending the plan to Darlington, you also told them how much money they would have to put out and how much they would receive back; is that right? A. Yes, sir.

* * *

[1735] Q. (By Mr. Dyer) Just to be clear, Mr. Kable, the plan as set up along with the various amounts of money to be received was sent to each one of the mills selling through Deering-Milliken, was it not? A. Yes, sir. It was my duty to get those figures together. They were reviewed by not only Mr. Phillips but Arthur Andersen and Company before they went out to be sure they were correct.

Q. I now direct your attention to General Counsel's D-2. I think you said that Mr. Netter was your assistant? A. Yes, sir.

Q. Now, in this memorandum, Mr. Netter refers—or he states that he is sending back to Mr. Oeland the drafts of the stockholders and two directors' meetings held on January 24, 1955.

> "Please send us a conformed copy of the revised drafts when you have finished them."

Can you tell us the purpose of sending the stockholders' and directors' minutes—the drafts of the stockholders' and treasurers' meetings to your department in the first place, sir?

* * *

A. It was Mr. Oeland's wish. He was the treasurer of the the [1736] mill and I was serving him.

Now, Mr. Oeland was a manufacturer. And Mr. Oeland and one or two others of these treasurers called on me to help him with the drafting of minutes.

Q. Therefore, would you draft— A. Well, I would take the facts as they gave them to me in notation form and place them into minute form.

Q. All right.

And then they would be sent—this indicates that they were sent back to Mr. Oeland for a conformed copy which was to be sent back to your department again; is that right? A. No.

I think he only asked for a copy.

All we wanted was a copy.

Since 1947 or 1948 we have found it so helpful to have a complete record of the minutes that we have requested the treasurers of the various mills to send copies of the minutes

to us so that we can maintain them in the individual tax file of the corporation for reference during preparation of the return for our guidance.

Q. This was done in your absence by Mr. Netter in this case; is that right? A. Yes, sir.

* * *

[1752] Q. Well, would this be part of the normal course of events? Where you have sent a mill a resolution for them to place before the Board of Directors, if they adopt it, would you thereafter send these instructions as to how many copies to prepare, where to sign them, et cetera? A. Yes, I do that, surely.

* * *

[1753] Q. (By Mr. Dyer) With respect to incentive compensation contracts, did you keep copies of the incentive compensation contracts in the New York Office? A. Yes, I kept copies of the incentive compensation contracts for the same purposes as the minutes. They were associated with the current tax return files, so that I could determine whether accruals made on the books were actually proper. I did that regardless of the fact that the books were audited.

* * *

[1764] Q. Mr. Kable, have you also requested of the various mills in 1956 that they send you copies of their by laws? A. At the time this Darlington matter occurred, I found [1765] that I didn't have a copy of the by laws of Darlington Manufacturing Company. It occurred to me that it would be helpful to me to in answering questions that were asked of me by attorneys and others to have available copies of the by laws of the mills represented by the Tax Department.

* * *

Q. I show you a memorandum dated January 27, 1956, addressed to various mill treasurers from you, subject: "By Laws" in which you there request copies of their by laws? A. Well, maybe it was some other problem that came up that brought it to mind. But it certainly was the desire of the attorney to know what the by laws provided in a certain corporation in the way of requirements that he had to meet in connection with any tax problem that might arise.

Q. And did the various corporations send copies of their by laws to you? A. Well, I think so.

Sometimes our follow-up isn't very complete on that. But I believe they did.

Q. And you did keep them there at Deering-Milliken, did you, [1766] or did you forward them to the tax attorney? A. I forwarded the ones with respect to which I had asked questions to the tax attorney with the request that he send them back to me. I hope I have some of them yet.

* * *

[1768] Q. (By Mr. Dyer) Mr. Kable, were you under the group health and insurance plan at Darlington? A. I had a $2000 policy with Darlington Manufacturing Company for which I paid the premium the same as any other employee.

Q. All right. And did you have a similar policy with the other mills where you were Assistant Treasurer or Assistant Secretary? A. Yes, sir, I think so.

Mr. Schoemer: I think actually it is a group life policy.

The Witness: There were limits on the coverage, so that many of them weren't included even.

There was a limitation on the coverage.

Q. (By Mr. Dyer) I am afraid I don't understand. All of the mills selling through Deering-Milliken had group, health and accident insurance plans. What I am asking is: Were you as Assistant Treasurer or Assistant Secretary, whatever your position was with each of those mills, were you covered under such group, health and accident insurance plans? A. Many of them.

Mr. Schoemer: I am sorry, I still think it was Group Life. This describes Group Life.

Hearing Officer: This says Group Life.

Mr. Dyer: Excuse me.

[1769] Q. (By Mr. Dyer) Group Life Plan at each of those mills? A. Yes, sir.

Q. And you were included in each of those?

Mr. Updike: He said some of them.

The Witness: Some of them, yes, sir.

* * *

Q. (By Mr. Dyer) Mr. Kable, is it a fact that all of the plans were under one insured company? There was one insurer which carried all of these plans? A. One insurer, yes, sir.

Q. And therefore, there was a maximum of how much insurance could be carried on any one individual? A. That is correct, sir.

Q. And, therefore, you were not able to carry policies at each of the mills because of the maximum; is that right? A. Yes, sir.

Mr. Dyer: I will withdraw the exhibits.

* * *

[1771] Q. (By Mr. Dyer) In regard to liquidation at Darlington, there were a number of tax papers or forms which you had to prepare for Darlington; is that correct? A. Could you give me an illustration of what you are driving at?

Hearing Officer: Various papers——

The Witness: You mean 966, Federal Forms, that sort of thing?

Mr. Dyer: Yes.

The Witness: Yes, sir. All right.

Hearing Officer: A, B, C, and D.

The Witness: Yes, sir.

Q. (By Mr. Dyer) Those came through? A. Yes, sir.

Q. Were there other papers such as the form liquidation attached to the tax form that would also come through? A. Yes, sir.

Q. And would you look over such a resolution and give your recommendations in regard to the language of it? A. No, sir. That was prepared by tax counsel, you see.

Q. By Mr. Phillips? A. Yes, sir.

* * *

[1772] Mr. Dyer: Mark this General Counsel's D-25.

(The document above-referred to was marked General Counsel's Exhibit D-25 for identification.)

Mr. Dyer: I offer in evidence what has been marked General Counsel's D-25 dated March 21, 1955, addressed to Mr. Oeland from Mr. Kable, subject South Carolina annual License Tax.

I offer this in evidence.

Mr. Updike: No objection.

Hearing Officer: General Counsel's D-25 is received.

(The document above-referred to, heretofore marked General Counsel's D-25 for identification was received in evidence.)

Q. (By Mr. Dyer) Mr. Kable, were copies of this same memorandum sent to the other mills selling through Deering-Milliken? A. Yes. I was just checking.

Hearing Officer: That would be to the South Carolina Mills?

Mr. Dyer: Excuse me. To the other mills selling through Deering-Milliken in South Carolina.

The Witness: Yes, sir.

Q. (By Mr. Dyer) And there you were asking for their annual license tax reports; is that correct? A. Yes, sir.

Q. For what purpose, sir? [1773] A. Pardon me?

Q. For the purpose of what?

Hearing Officer: Why did you ask for them?

The Witness: For the purpose of making a check to see whether there were any taxes being paid that were excessive, in view of the situations of the companies and the provisions of law.

Q. (By Mr. Dyer) I see. A. I didn't ordinarily take those taxes into account. This was just a spot check.

Q. And you received copies from the various mill corporations in South Carolina? A. As I recall it, I did.

Q. And did you check them over? A. Yes, sir.

Q. To see whether they were paying too much or too little? A. That is right.

Q. Not too little. Excuse me. Whether they were paying too much? A. Yes.

Q. For instance, had Darlington during that year paid too much? A. Yes, sir they did.

Q. And were you able to obtain a rebate for that? A. We got a refund, yes, sir.

* * * *

[1774] Mr. Dyer: Mr. Examiner, I now offer in evidence what has been marked General Counsel's D-26, being a memorandum dated June 10, 1955, addressed to Mr. Oeland from Mr. Kable, subject, South Carolina Property Tax, 1955.

Mr. Updike: No objection.

Hearing Officer: General Counsel's D-26 is received.

(The document above-referred to was marked General Counsel's Exhibit D-26 for identification and received in evidence.)

* * *

[1776] Now, in the next couple of words, you talk about your instruction memorandum to you dated some months ago. Can you tell us what the instruction memorandums were? A. Yes. I will have to go back into the history of the negotiations that I conducted with the South Carolina Tax Commission in order to explain it.

Hearing Officer: Well can we say that several months before you had issued an instruction memorandum concerning this?

The Witness: Well, I suppose I had to issue an instruction memorandum because there was a change

in the basis for preparing the returns in that year as opposed to the previous year. That is about as simply as I can state it.

Q. (By Mr. Dyer) And did the instruction memorandum go to all the mills selling through Deering-Milliken in South Carolina? A. Yes. They had asked me to do this for them. So I sent them instructions as to what was required by the State Commission.

* * *

[1786] Mr. Dyer: I now offer in evidence General Counsel's D-28 being a memorandum addressed to Mr. Oeland from you, dated April 17, 1956?

Mr. Updike: No objection.

Hearing Officer: General Counsel's D-28 is received.

(The document above-referred to was marked General Counsel's Exhibit D-28 for identification and received in evidence.)

Mr. Dyer: Mr. Kable, in regard to the memorandum in your hand, this refers to an extension to file South Carolina Property Tax Schedules. Was that extension granted just for Darlington or for all of the mills in South Carolina selling through Deering-Milliken?

[1787] The Witness: It was not granted for all of the mills. But it was granted for all of the mills with respect to which we couldn't file by the due date, which was March 1.

* * *

Q. (By Mr. Dyer) You ask in the latter part of the exhibit for the Mill to forward a copy of the proposed assessment figures to us as soon as possible.

Can you tell us what those figures would be? A. Those figures would be an analysis of the plant, beginning as of the first day of the previous fiscal year [1788] and ending as at the last day of the fiscal year, taking into account all property that came in and all property that was retired.

Breaking the property down according to these productive and non-productive items.

And the implication of the last part of that is what constitutes a productive or non-productive item which was always a matter of borderline consideration. And which I was in a better position due to my contacts with the Tax Commission to evaluate than the people at the mill.

Q. All right.

Does this have reference to what we have determined previously the property records? A. Yes, sir.

Q. In other words the property records were being forwarded from the mill to your office? A. No, not the property records. This was just a statistic indication of the property records.

Q. In other words it was a summation? A. Well, it wasn't a summation either. It was a specialized form which we set up on the basis of productive and non-productive, in and out.

Q. I see.

In other words, the form which you set up was something set up in your Department which you sent to the mills for [1789] them to prepare for you? A. That is correct.

The Mill Treasurers delegated these things to me because of the fact that I knew what was required, and they were not in as good a position to handle it.

Q. Darlington did send in their record—I think they call it the "record of their plant additions and retirements"?

A. That is right, yes, sir. That is all associated with the same thing.

* * *

[1790] Mr. Dyer: I now offer in evidence what has been marked General Counsel's D-29 being a letter addressed to Mr. Kable from Mr. Watford, the Accountant at Darlington, dated August 24, 1956.

Hearing Officer: Any objection?

Mr. Updike: I have no objection, sir.

Hearing Officer: General Counsel's D-29 is received.

(The document above-referred to, heretofore marked General Counsel's D-29 for identification, was received in evidence.)

Q. (By Mr. Dyer) Mr. Kable, in the first sentence, Mr. Watford refers to a meeting held at Judson, last Wednesday. Can you tell us what that meeting was? A. It was a meeting which was organized at the request of the Treasurers and Mr. Milliken for the purpose of considering the lines of demarcation, if we could establish them to the best of our ability between expense and capital items.

And it was based upon my experience in negotiating with the Treasury Department during the past several years to bring everybody up to date if they didn't know what items had been allowed as expense which had not previously been allowed as expense.

Hearing Officer: The experience with whom, did you say?

[1791] Based on your experience with whom?

The Witness: With the United States Treasury Department.

Q. (By Mr. Dyer) Now in this Mr. Watford refers to the fact that he was not able to find schedules for property additions and property retirements for the fiscal years 1950, 1951, 1952, and 1953.

Are those—well, what are the records that he refers to? A. Well, Mr. Turnowski had done some work on Darlington's records.

But my recollection is that we looked—well, Mr. Turnowski had already left at this date. And we searched diligently but we could not find anything in Mr. Turnowski's files relating to Darlington's records. And a lot of work had to be done to bring Darlington's records up to date; because apparently this man who was a new accountant in Darlington Mill, a recent comer into the mill, couldn't find all the basic material he needed to get his property accounts into good shape.

Mr. Updike: This man being Mr. Watford?

The Witness: Mr. Watford, yes.

Q. (By Mr. Dyer) You say a lot of work had to be done. Did the Tax Department help him in doing this work, and in setting up these records which were missing? [1792] A. My recollection is that Mr. Netter went down and did quite a good deal of work with Mr. Watford to pull things together in the property accounts form, subsequent to this.

Q. In doing so was Mr. Netter able to use some of the summation sheets that we were talking about in the previous exhibit?

Mr. Updike: Summation sheets?

Mr. Dyer: Excuse me. Whatever you called them.

Q. (By Mr. Dyer) You referred to them as a "form" which you devised——

Mr. Updike: Statistication sheets I think he said.

Q. (By Mr. Dyer) All right. Statistication sheets? A. Yes, he was able to use them surely because we had them year by year.

Q. And those were used in going back to set up Darlington's records? A. That is correct.

* * *

[1796] Mr. Dyer: I now offer in evidence an undated exhibit from Mr. Kable to quite a number of individuals being marked for identification, General Counsel's D-32, the subject being "South Carolina Information Returns, Current Year."

Mr. Updike: No objection.

Hearing Officer: General Counsel's D-32 is received in evidence.

(The document above-referred to, heretofore marked General Counsel's D-32 for identification, was received in evidence.)

Q. (By Mr. Dyer) Mr. Kable, can you tell us the position of the individuals to whom this memorandum was addressed? A. These were the men who were the office managers, accountants, in the various mills.

Q. I see.

Now in here you are giving information to these gentlemen as to how to—on what paper—is that it?—to prepare the South Carolina information returns? A. This was sent out as a service to the mills and as a service to the South Carolina Tax Commission.

They went on a punch-card system; and they found that if you gave them a paper of too light a weight it wouldn't run through their punch-card machines.

So a lot of our mills sent information on the wrong weight paper, and the machine got all blocked up and didn't work. This is just trying to effect some aid to the South [1797] Carolina Tax Commission and in a mechanical way to our mills by having them order a certain weight of paper.

Q. And you point out what the weight of the paper is to be. And you go on to advise that you are sending a copy of this to Mr. Byrd.

Mr. Byrd is head of purchasing at Deering-Milliken Service Corporation, is that correct? A. Yes, sir.

Q. So that perhaps an economy can be effected by having all the South Carolina mills selling through Deering-Milliken purchase this item in a group through Mr. Byrd; is that right? A. Yes, sir, and also give the South Carolina Commission what they needed in order to be able to run their machines.

Hearing Officer: Who is Mr. Byrd again?

Mr. Dyer: Mr. Byrd is head of the Purchasing Department at Deering-Milliken Service Corporation. We will hear more from Byrd later.

* * *

[1800] Q. Mr. Kable, do you recall giving advice to Mr. Oeland at Darlington whether it would be profitable or not as far as [1801] Darlington is concerned to contribute in advance to the State unemployment insurance account in South Carolina? A. Yes, I do. And it really isn't my field. But it was perfectly apparent. He wrote me a letter. I have a vivid recollection of this.

Somebody he was retaining in Columbia had written him a letter and suggested he might make a payment. I made a simple calculation and demonstrated to him that it wouldn't be profitable for the mill to make the payment.

Q. You sent that information to him? A. Yes.

* * *

Q. Now, the income tax depreciation schedules are prepared by whom, the mills or by you, sir? A. By the mills.

Q. All right. And do they follow a standard form in setting up those? A. Very standard, yes. Because our arrangements with the Internal Revenue Service are that we are to prepare the depreciation schedules for Federal Income Tax in such a way that if they are acceptable—and they usually are acceptable—that they can be placed in a revenue agent's file as part of his working papers.

This arrangement we worked out after years of [1802] experience with the Treasury Department.

And they find our papers acceptable. And it saves them oh, tens of thousands of man hours a year. It is a litle work for us. But it is very much worthwhile from the standpoint of the relations that we have established on behalf of these mills with the Internal Revenue Service.

* * *

Hearing Officer: I realize it is a saving of time to the Treasury Department. But I thought you told us also that the mills reap tax benefits?

The Witness: I think it does that. Any time you can establish a proper relationship with the Treasury Department, [1803] you have gotten on the right side of the fence.

* * *

Q. (By Mr. Dyer) Does your department also keep track of the times that license taxes are due at the South Carolina Mills? A. I beg your pardon?

Q. Does your Department keep track of the dates when license taxes are due for the South Carolina Mills? A. Yes. We just sent out reminders to see that people don't get in arrears about filing those taxes. Usually we don't prepare them.

Hearing Officer: You don't prepare them?

The Witness: Usually we don't prepare license taxes. The occasion we talked about in previous testimony related to a check I was making to see whether they were properly prepared.

* * *

[1804] *Cross-Examination*

Q. (By Mr. Updike) Mr. Kable, I just have two or three questions to ask of you.

The first is: In the course of the performance of the duties to which you have testified here, did you ever have anything to do with the labor relations at Darlington? A. No, sir.

* * *

[1805] Q. (By Mr. Updike) Within the range of your work on behalf of Darlington, did there come a time when the Treasury Department sent engineers to inspect the plant and equipment there? A. Yes, sir. We have had such inspections on two different occasions. In 1948 and 1950.

Hearing Officer: Are you speaking of Darlington now?

The Witness: Yes, sir.

Mr. Updike: Yes, sir.

Q. (By Mr. Updike) Did the Treasury Department also send engineers to some or all of the other plants of corporations selling through Deering-Milliken Company? A. Yes, sir.

* * *

[1806] Q. Now, with respect to each of the returns, Federal Income Tax Returns of Darlington that have been the subject of or referred to in your testimony under questioning by Mr. Dyer, was each of the returns that was drafted by you submitted to an independent public accounting firm for review and for approval? A. Yes, sir.

Q. And on whose instructions was that done? A. Under the instructions of the Treasurer.

Q. Was each one of these returns likewise subject to review by the Tax Counsel that you have identified in your testimony? A. Not in detail, but as to any points of law that might be involved which might be questioned at a later date, so far as we could anticipate them.

Mr. Updike: That is all, Mr. Kable.

Redirect Examination

Q. (By Mr. Dyer) Mr. Kable, were the tax returns for all mills selling through Deering-Milliken sent to the accounting firm after review by your department? [1807] A. No, they weren't sent to the accounting firm. The treasurers of the mills years ago requested that public accountants that did the work for each one of those mills, at the conclusion of their audit and after they had prepared their audit report, permit my organization to use the detailed working papers which they had developed in connection with the audit so that we would have not only the records of the company but all of the public accountant's proposed changes, anything they had done in the way of

adjusting journal entries, any notations they might have about possible tax implications of the transactions, we had the benefit of all that while we prepared these returns, together with the minutes which I told you yesterday we retained, the incentive compensation contracts, and all of these things were recalculated by us, not taken at the public accountant's evaluation.

But we recalculated the amount of incentive compensation on what we deemed to be a proper accrual basis.

We had to agree with the independent certified public accountants before we were finished.

Hearing Officer: After you were finished?

The Witness: Finished with drafting, yes.

Now, when we finished drafting——

Hearing Officer: When you finished drafting what?

The Witness: When we finished drafting, let us say, a federal and state return for Darlington Manufacturing Company [1808] for a year like 1954, I would communicate with Arthur Andersen and Company who would then send over a partner or manager of their tax organization, who would review the work that had been done in preparing the tax return in detail.

We never rested until we were able to get a letter from Arthur Andersen and Company or whoever the certified public accountants were that they had reviewed the returns prepared and felt that it was in order for filing based upon accounting principles which they believed in and the tax principles which we would both agree on.

If we had differences of opinion, we would submit them to tax counsel. So that such a letter could

be—such letters for every year for every return are in our files.

Q. (By Mr. Dyer) And that is for each of the mill corporations selling through Deering-Milliken? A. For each mill corporation. But in this case certainly in the case of Darlington.

* * *

[1810] Q. (By Mr. Janes) Mr. Kable, did any of the Deering-Milliken Mills have a tax department of their own? A. Did who?

Hearing Officer: Any of the Deering-Milliken Mills.

The Witness: Not that I was aware of, no, sir.

* * *

[1813] Mr. Dyer: I call Mr. Paul J. Wilson.

Whereupon, PAUL J. WILSON, JR., called as a witness, having been first duly sworn, was examined and testified as follows:

[1814] Hearing Officer: State your full name.

The Witness: Paul J. Wilson, Jr.

Hearing Officer: Where do you live?

The Witness: 5 University Court, South Orange, New Jersey.

Direct Examination

Q. (By Mr. Dyer) What is your position at Deering-Milliken and Company? A. Insurance Administrator.

Q. And did you have any background with any of the mills selling through Deering-Milliken before you came to Deering-Milliken? A. No, sir.

Q. Your background is solely insurance. Is that correct? I don't mean to say sole, but is your background in insurance? A. Yes.

* * *

Q. And you report to whom, sir? A. Mr. Flanigan.

* * *

[1815] Q. I believe Mr. Minot Milliken stated in his testimony that the insurance department took care of all the insurance policies at Deering-Milliken and Company; is that correct? A. That is correct.

Q. Does the insurance department take care of other policies beyond that? A. Yes, sir.

Q. Those include all of the insurance policies of every type and description for all of the mills selling through Deering-Milliken? A. Yes, sir.

Q. Now, among the types of insurance would be Workmen's Compensation Insurance, is that correct? A. Yes, sir.

Q. Do you have a master policy with Liberty Mutual for [1816] all the Workmen's Compensation Insurance for all the mills selling through D-M? A. Yes, sir.

Q. Now, when I say master policy, I mean in one policy? A. There is one policy for the mills which sell through Deering-Milliken. There is a separate workmen's compensation policy for Deering-Milliken.

* * *

A. Yes.

Q. Now, can you tell us when this master policy for Workmen's Compensation Insurance was first procured from Liberty Mutual? A. I believe it is a progressive—the one in existence at the moment you mean?

Q. The one in existence in 1956. A. Well, that was a one-year policy.

Q. In other words, this isn't—— A. So it became effective on January 1, 1956.

Q. You say it is a one-year policy? A. Yes.

Q. It isn't a self-renewing policy? A. No, sir.

Q. Has the policy been the same for the—has it been the same as long as—has the policy always been with Lib-
[1817] erty Mutual? A. As long as I have been connected with Deering-Milliken it has, yes.

Q. And it is a succeeding one-year policy each year, is that correct? A. That is correct.

Q. Can you tell us how the amounts for the premium on the policy are gotten together? A. The premium is based on anticipated payrolls. That is, the deposit premium. I presume that is what you are referring to.

Q. Yes. A. The premium is based on estimated payrolls forwarded to me by the different insureds under the policy. They submit their estimate for the payrolls for the coming year.

And those payrolls are multiplied by the rate for the individual classification at each of the insured locations by the insurance company.

And they arrive at a deposit rate on that basis.

Q. All right. Now, are there other premiums besides the deposit premium? A. There are subsequent adjustments to that premium based on experience.

Q. When you say "based on experience", you mean based on experience at each of the mills as to the amount
[1818] of claims against workmen's compensation? A. That is correct. First, there is an adjustment. Since the deposit is based on an estimate at the end of the year, the Liberty Mutual Auditor visits each location to accurately determine the final payrolls for the end of the year.

So he makes his first adjustment from an estimate to an actual audit premium.

Q. Now, in order to secure this master policy from the insurance company, are there any particular papers with regard to interest? Well, let me ask this first: What

is the face name on the policy? It is Deering-Milliken and Company? A. No, sir.

Q. What is the face name? A. Cotwool Manufacturing Company.

Q. Is there any particular form or paper which might be necessary to submit in order to secure this master policy regarding the interest held in the various mills? A. As far as I am concerned, no. And as a matter of fact, while I have been with—when I came with Deering-Milliken, there were some 30—25 or whatever the number was—individual policies issued to each of the companies.

And purely by Mutual agreement to save the processing of paper work and the necessity of attaching endorsements to many policies, it was decided to just take one page and list all of the named insureds and put it under one policy.

[1819] We could very easily ask the insurance company to go back and issue 30 or 29 or whatever the number is.

Q. Now, in regard to group health and life insurance is there a master policy with the Provident Life and Accident Insurance Company? A. No, sir.

Q. What is the policy? A. Each of the mills have their individual policy.

* * *

Q. How are premiums collected for the policy? A. The premiums are collected—we have what is called a self-administration program. And the premiums are determined and collected by each individual insured having their own policy.

And for convenience and for premium saving, those checks made payable to the insurance company and the statements of each of these insureds are forwarded to any office where they are merely compiled on an insurance company form to list the total amounts of all locations and submit it at one time.

Q. Does this effect a savings of money? A. Yes, sir.

Q. Of approximately what, $9000 a year? A. Yes, it would be about $9000 a year.

Q. Now, you say there are individual policies. Are [1820] all the policies with the same company? A. Yes, sir.

Q. I think yesterday we had a statement——

Hearing Officer: You mentioned the company before.

The Witness: Provident Life and Accident Insurance Company.

Q. (By Mr. Dyer) I think Mr. Kable mentioned yesterday that there was a clause of some type regarding the gross amount of insurance that one man could—that could be attributable to one man. What does that come under? Is that under the individual policies or what? A. It is a combination of several things. Under the individual policy; under the Insurance Company limit as to what they will write on any one person; and under the South Carolina law.

Q. Now, in regard to this health and life insurance plan, has your office set up a schedule for dates by which the reports on a group health and insurance must be received in your office? A. Yes, We try to receive them as quickly as possible after the end of the accounting period. We have had the insurance company adjust the reporting basis to the same basis on which I believe—I believe it is thirteen 4-week periods or something like that. But the accounts are maintained.

Q. All right. Do you have a master fire policy with [1821] the Factory Insurance Association covering all of the mill corporations and mill villages, et cetera? A. Yes, sir. But that is two separate policies you have men-

tioned. You mentioned the mill properties. The mill properties themselves are under one master or blanket policy.

And for the mill villages there is an individual policy also.

Q. What is the face name of the fire insurance policy? A. The named insured and the loss payee under the fire policy is to Deering-Milliken and each of the individual insureds as included in the declarations, which would be the name of each mill insured under the policy.

Q. (By Mr. Dyer) I am afraid I am a little bit confused on terms.

You included in your answer both the face name and the loss payable clauses. Can we separate those? What is the face name on the policy? A. I can't quote exactly. But I think it mentions something to the effect, "Deering-Milliken and Co., Inc." and it's associated companies as named in the declarations, or something to that effect. And then there is a separate page listing all of the names.

* * *

[1822] Q. Do you have these other types of insurance which are maintained for the various mills: boiler insurance, business interruption insurance, plate glass insurance, liability insurance for motor vehicles, general liability insurance on mill properties, advertiser's liability insurance, Lloyd's Excess Liability Insurance?

Are those some of the types which are maintained for the mills? A. I think you have just about listed all of them.

* * *

[1823] Q. (By Mr. Dyer) Now as to these various types of insurance, is the charge for those various types of insurance made to the mills through the statement issued each four-week period by Deering-Milliken and Company? A. I am not familiar with the procedure and the form that apparently you are exhibiting. But the charges made

through my office is in some manner accounted for through Mr. Flanigan's Department.

* * *

Q. Now, are there other charges made to the mill for the [1824] service the insurance department gives them?

A. A charge of the insurance department as such.

Q. Yes. A. No, sir, not to my knowledge.

* * *

Q. (By Mr. Dyer) What did you do, Mr. Wilson, in regard to stating that the mills should enforce the policy of requiring automobile liability insurance to be carried by individuals where the individuals use their private automobiles for company business? A. If I understood your question, did you say what did I do about enforcing the policy?

Q. Did you send out a statement of some type in regard to the mills enforcing the policy? A. Yes. I recall probably a year or two ago advising the insurance companies my opinion of—

[1825] Hearing Officer: The insurance companies?

The Witness: I am sorry. Rather the insureds, as to what they should do regarding individuals who regularly use their car on company business.

Q. (By Mr. Dyer) What did you tell them? A. I felt they should have sizeable limits of liability, as I recall, much in excess of the requirements of the financial responsibility law.

I felt that they should have those individuals submit insurance certificates as evidence that they do have insurance policies on their automobiles.

And I believe I requested that if the mill notes that any of the individuals submits insurance in the same company that the mill is insured they make note of that so that they can obtain what is known as a Class 2——

Q. Taking Darlington, for example, I believe that during 1955 you urged that Darlington bring its sprinkler system up to date? A. Yes, sir.

Q. Was Darlington's System one that was a bit antiquated? A. From the engineering reports, to go back to your prior question, I do not recall inspecting Darlington premises for that. But referring to the engineering reports regarding Darlington, they probably had the most antiquated and difficult systems for the insurance company to consider reliable in the event of a major fire.

Q. When you say "regarding the engineering reports", what engineering reports do you mean? A. The reports prepared by the factory insurance association representative that visited at Darlington regularly on loss prevention matters.

Q. In regard to this fire sprinkler system at Darlington, did the engineering department at Deering-Milliken Service Corporation inspect Darlington with regard to the fire sprinkler system? A. I believe they did, sir.

Q. Did you receive reports from them with regard to it? A. To the best of my knowledge I did receive reports from [1833] them.

* * *

[1837] Q. (By Mr. Dyer) Mr. Wilson, in regard to this letter, Mr. Oeland states that he is writing to ask you whether changes can be made by us if we decide to increase the hospital benefits charging the additional cost to our employees?

Mr. Updike: "Us" meaning Darlington, I take it?

Mr. Dyer: That is right.

Q. (By Mr. Dyer) He states: "We know that this is an overall group policy and wondered if there were not some of the mills in the D-M Group that gave more liberal benefits along the lines than we do there at Darlington."

Did you give your advice to Mr. Oeland with regard to that matter? A. I am sure I did.

Q. Now, I believe you stated that the policy was not an overall one; is that right? A. Yes.

Q. In other words, Mr. Oeland was mistaken in his interpretation of the policy? A. Oh, I don't know what he means exactly here by this statement.

Q. I think you have stated that the policy was an individual policy at each mill? A. That is correct.

[1838] And Mr. Oeland, you will note, goes on to say that he wonders if there are variances in the policies of other mills.

Q. What I am referring to is that Mr. Oeland does not use the plural; he uses the singular all the way through here—policy, not policies. I was wondering if perhaps he was mistaken in his idea that it was an overall policy. A. Well, he may have been. I can't answer that for him. But the individual policies vary.

* * *

[1839] Q. (By Mr. Dyer) Can you tell us what the Deering-Milliken Safety contest is? A. This is a contest and report of the various mills insured under the compensation policy.

Q. What form does the contest take? A. An annual form based on the frequency of accidents.

Q. In other words, the mill having the least accidents would win the contest; is that the idea? A. Yes.

Q. And this is a report on the standing of the various mills in regard to the contest; is that right? A. Yes.

Q. I believe you stated in the first paragraph "Attached are the mill standings at the end of the second reporting period."

How many reporting periods do you have in the year? A. Four.

Q. Four? A. Yes.

[1840] Q. Now, in order for you to get up this information, does each mill report to you each accident that it has? A. No, sir.

Q. How do you get the information? A. They compile merely a summary very similar to the form that is presented here showing the total number of man hours, the medical accidents, the total accidents, the loss-time accidents, and so forth.

Q. Do they give any details in regard to any of the accidents? A. Sometimes they will make a notation on there, because apparently they use that form also in their own individual safety meetings with the mill to discuss accidents.

Q. Where there are recurring accidents of a particular type, do you ask for information in regard to them? A. Yes, I would if they came to my attention.

Q. Where a mill had a high ratio of accidents, would you ask for information about that? A. I would probably ask the insurance company to see what is wrong, why the high frequency continues.

Q. Well, would you in addition to contact with the insurance company, would you also contact the mill itself? A. I would contact the mill to make certain probably that the mill treasurer is aware of the high frequency of accidents occurring in his mill.

[1841] Q. Now is there any prize given as such in relation to the safety contest? A. Yes. There are numerous awards. Liberty Mutual presents awards when a mill goes so many man hours without a lost-time accident.

Q. Well those are awards presented by the insurance carrier? A. Yes.

Q. Are there any awards or prizes as such given by your insurance department? A. Yes. There is a plaque that is given to the mill in each of these groups that has the lowest lost-time frequency.

Q. You have the mills set up in three groups. Can you give us the general classification of the groups? A. Broadly speaking it was by size.

Q. In other words by number of employees? A. No, sir. By estimated man hours the mill would work.

Q. Oh, I see. In other words would you say the mill has about 750,000 man hours for the first group? A. Well no, sir, I think the insurance company advised, and most national safety contests are grouped on the basis of some comparable basis that will be fair. And I believe the insurance company advised that the mills operating under 500,000 man hours would be group 3, I guess it is; those operating between 500,000 and 1 million would be group 2. Group 1 would be over that. That is their basis for suggesting [1842] the most equitable distribution.

* * *

Q. Do you notify the mills of various things which they can get to help, such as posters or films which are available from other sources? A. Yes.

Q. Now, in 1955 I believe Drayton Mills achieved five million man hours without a lost-time accident. And did you in that connection write to all of the mills suggesting to them [1843] that they send a congratulatory letter to Drayton on their record? A. Yes, I probably told every one I could about that event because it was the best record in the Textile Industry in South Carolina. And I am certain that not only the mills listed on this schedule but any other mill or insurance company that I could, I let them know about that.

Q. In addition to the safety contest did you also have a fire protection safety contest? A. Yes, we had one.

Q. Can you tell us what that is? A. That was the first attempt to stimulate interest in the inspection reports pre-

pared by the factory insurance loss prevention engineer in the way of a contest bulleting or stimulus.

Q. The idea would be the mill who had the least fires would win the contest; is that the idea? A. Yes. Or the least recommendations on the report of the engineer.

Q. And was an award of some type given in regard to this contest? A. Yes, there was an award.

From your department? A. It was from my department and the factory insurance association.

[1844] Q. Jointly, meaning the Board? A. Yes. The award was prepared, drawn, drafted, by the factory insurance association and presented to the mill by their engineer.

* * *

Mr. Dyer: Mark this General Counsel's E-4.

* * *

[1845] Q. (By Mr. Dyer) Now in regard to this exhibit you state that "last November, at the personnel manager's meeting in Gainsville it was agreed we would conduct a safety suggestion [1846] contest."

Was that the personnel manager's meeting that you attended, sir? A. Yes, sir.

Q. And you set out "There is to be a cash award of $300 paid to the three employees who submit the best safety suggestions for each of the mill groups."

Who was to pay out money? A. That came out of the Liberty Mutual experience credit and the premium.

Q. Let me see if I understand you. What do you mean it "came out of the——" A. Well that was paid for by the Workmen's Compensation Insurance.

Q. In other words, did Liberty Mutual have a fund for such contests? A. I am sorry——

Hearing Officer: It was added to the premiums in effect, wasn't it?

The Witness: In effect, yes, sir.

Hearing Officer: The premiums would be returned to the mills and the credit is deducted before the return is made.

Is that correct?

The Witness: That would be correct, yes, sir.

Q. (By Mr. Dyer) You set out general rules and procedures for all mills to follow as closely as possible. And [1847] then you go on to the next two pages and set out the general purpose and how the suggestions are to be handled, et cetera; is that correct? A. Yes, sir.

Q. And as to the mill groupings, were those the same mill groupings that we have seen before, as shown on the second page? A. No, sir.

Q. Who determined these mill groupings? A. Well, one of the facts about this meeting that I attended, the purpose of going was to—was at the request of the personnel managers so that I could have some one or so that I could prepare a program in answer to questions that many of them had regarding compensation insurance.

And to that extent, I arranged for the claims adjuster for the area to attend and address this group for the——

Mr. Updike: You mean the claims adjuster for the insurance company?

The Witness: For the insurance company, yes, sir. The loss-prevention engineer for the entire area to attend.

And the sales representatives from New York to attend.

And one of the suggestions was this safety suggestion contest or by the employees which I then undertook to work out with Liberty Mutual and

prepare the various points here as to how the contest should be conducted.

[1848] It was, I believe, their combined suggestions of the engineer and loss-prevention personnel as to how these groups would be classified. I believe basically Group "A" is cottons; Group "B" is synthetics, and Group "C" is Wools.

Q. I see. A. And to that extent it varied.

Q. The judges for the contest were to be a representative from the industrial engineering department.

Is that of Deering-Milliken Service Corporation? A. Yes, sir.

Q. And from the Engineering Department of Deering-Milliken Service Corporation? A. Well, didn't you ask me that?

Q. I asked you about industrial engineering.

I am looking now at (3) under "A" on page 2. A. Yes, sir.

Q. You say a representative from Industrial Engineering Department, Engineering Department and Liberty Mutual Insurance Company? A. Yes, sir.

Q. Are they, first, representatives from Deering-Milliken Service Corporation? A. Yes, sir.

Q. Now on the third page did you design the notice to be placed on the bulletin board? [1849] A. No, sir.

Q. Can you tell us who designed that? A. To the best of my recollection the Liberty Mutual Sales and Loss Prevention Engineer.

Q. All right. This was designed and sent to each mill; each mill could just fill in their name et cetera? A. Yes.

Q. Did you send this to each of the mills? A. Yes.

Q. Now the Safety Suggestion Contest did go on; is that correct? A. Yes, sir.

Q. In other words you did have the contest? A. Yes.

Q. And as a result you get suggestions from the various mills? A. Yes.

Q. And a decision was made as to the best suggestions for each of the three groups? A. Yes. Not all mills participated, however. They did not accept this suggestion as such. I don't recall which. But I do recall that all of them did not send in and participate.

* * *

[1852] Q. (By Mr. Dyer) This is a copy that was sent directly to Darlington, to Mr. Oeland, one copy to Mr. Oeland, one to Mr. Stallworth and one to Kate MacFarland. But copies of General Counsel's E-4 went to all the mills? A. Yes.

Q. Did all of General Counsel's E-6 go to all the mills? A. Yes.

Q. Can you tell us what the purpose of General Counsel's E-6 is? A. To advise each of the mills of apparently good suggestions as a result of this contest, so that if any appeared appropriate that they might wish to consider or adopt, it would be for their advantage I presume to do so.

Q. In other words, in this memorandum is encompassed the winning suggestions submitted from each of the mills? And you have rephrased them a bit so that no one would be embarrassed—— A. Generally speaking that is so.

Q. And you sent these out to all the mills so that every mill could pick what they wanted from the idea? A. Yes.

* * *

[1854] Mr. Dyer: Mark this General Counsel's E-7.

* * *

[1855] Q. (By Mr. Dyer) Mr. Wilson, this letter is apparently a reply to a letter which you wrote previously to Mr. Oeland; is that correct? A. Yes. And he refers to my letter of January 11.

Q. Now, in this—this is following the liquidation sale at Darlington, the auction at Darlington?

Did your Department service an insurance contract in regard to the mill village houses at Darlington?

In other words, was there a contract, fire contract, on the mill village houses at Darlington? A. It was included with the blanket policy.

Q. And what was the purpose of your letter to Mr. Oeland? A. I wanted to know something about what disposition was to be made of the houses so that I could cancel insurance if the houses had been disposed of in any manner whatsoever.

I wanted to find out what was necessary in the way of protecting a continuing insurance if needed.

Q. Mr. Oeland also makes mention of a Dodge Truck and a car. Did you carry the insurance on those vehicles? A. They were included on a blanket policy by Liberty Mutual.

* * *

[1856] Q. Mr. Wilson, I hand you a document dated December 9, 1955, addressed to Mr. Oeland from you. Can you tell us what the purpose is for this document? [1857] A. To advise Mr. Oeland of his experience as we have calculated it from the reports that he has submitted.

Q. His experience in regard to what, the group insurance? A. Yes.

Q. And in this memorandum to him, did you tell him that he owed some funds to the insurance company? A. Yes. It would appear that way.

Q. In other words, you kept a constant check on the records that were submitted on group insurance to make sure that everything was right up to date? A. We attempted to do so, yes.

* * *

Hearing Officer: This is Respondent's Exhibit E-1.

* * *

[1858] Q. (By Mr. Dyer) Mr. Wilson, in regard to the operation of the group insurance policy of Darlington, when Darlington went into liquidation, can you tell us what was done by your department in regard to the policy?

I will rephrase it. Can you tell us what was done about that policy?

* * *

[1860] Q. (By Mr. Dyer) Can you tell us who decided that that would be the way in which the matter would be resolved? A. Once it was determined that the fund being assigned to Darlington was not in excess of the——

Q. Shall we say "administrative costs"? A. Yes.

—the insurance company advised me that that should be retained in the experience fund of the entire number of mills insured by their company.

Q. I am sorry, I don't follow you.

In other words, who ultimately got the money?

* * *

The Witness: And to date, the insurance company has the money.

* * *

[1862] Mr. Dyer: Mr. Examiner, I have had marked for identification and I now offer in evidence, General Counsel's E-8:

This, I am submitting at the present time more as background information for the next series of questions which I will ask.

This is a memorandum from the purchasing department addressed to Mr. Goodwin who at the time, September 13, 1955, was with—was the production superintendent at Darlington. And Mr. J. M. Jackson, whom I can't identify—Mr. J. M. Jackson I am told is Manager of Gaffney; Mr. J. M. Oeland; Mr. Roger Milliken; Mr. W. A. L. Sibley; and Mr. Marshall Stone.

Mr. Marshall Stone I understand is the Treasurer at Pacolet, from Hal C. Byrd, who is the head of the purchasing department at Deering-Milliken Service Corporation.

Mr. Dyer: And W. A. L. Sibley is Treasurer of Monarch.

[1863] Attached to this exhibit is a memorandum dated September 14 to the same individuals which sets up the flight times. I might explain that this memorandum is in reference to a plane being chartered for certain of these personnel to attend an auction sale of the Lock Wood Duchess Plant in Maine.

Mr. Dyer: I wish to call attention to the last paragraph on the first page which states: "The special executive air insurance carried by Deering-Milliken on the key mill personnel will apply on this

trip, according to Mr. Paul Wilson of our insurance department in New York."

Q. (By Mr. Dyer) Do you recall this, Mr. Wilson? A. Do I recall that memorandum?

Q. Not the memorandum, but the question arising as to the insurance? A. Yes, sir.

Q. Now, is the insurance mentioned in this memorandum that contained in this policy from the indemnity insurance company of North America? A. Yes, sir.

Mr. Dyer: Mr. Examiner, I am told that this policy is part of their records of Deering-Milliken. And rather than offer it in evidence, I would like to describe the insured persons in here.

The policy starts out: "Indemnity Insurance Company [1864] of North America, Philadelphia Stock Company, does hereby insure employees as described in Part 4 herein called 'insured employees' of the Deering-Milliken and Co., Inc., and their affiliates and associates herein called the employer,' whose address is 240 Church Street, New York, New York."

The policy then goes on to describe just what benefits it does carry. And the persons to be insured are set out in Rider No. 1, along with the limits of liability on death, hospital care, and weekly indemnities.

And the classes described—I would like to read them into the record:

Class I—Deering-Milliken and Milliken Woolens.

(A) President; Executive Vice President; Treasurer; Assistant Treasurer; Vice President and

Assistant Secretary; and Vice President, Woolens; Vice President, Fine Goods; Vice President, Fabric Development; Vice President, Print Cloth; Vice President, Drills and Twills.

(B) Other Officers.

(C) Salesmen, Stylists and Technicians.

And then indented:

(1) Earning $25,000 and over basic salary.

(2) Earning $25,000 basic salary.

(3) Branch Office Salesmen.

(D) Administrative Department Heads or Supervisors. I should have said to begin with it was roman numeral I.

[1865] Hearing Officer: Class I?

Mr. Dyer: Yes, sir.

Class II—Deering-Milliken Service Corporation.

(A) Department Managers.

Class III—Deering-Milliken Research Corporation.

(A) President,

(B) Vice President,

(C) Secretary.

Class IV—Mill Personnel.

(A) Vice President, Treasurer or General Manager whose chief operational officer or mill head, and whose basic annual salary is:

(1) $30,000 and over;

(2) Under $30.000.

(B) Secretary, Controller, Assistant Treasurer, Assistant Treasurer, Assistant Secretary, Assistant Controller, whose basic annual salary is:

(1) $15,000 and over;

(2) Under $15,000.

(C) Individuals whose duties are those of plant manager.

(D) Individuals whose duties are those of superintendent.

Mr. Dyer: In clarification I might say that where a salary range is called for, the amounts of liability differ. [1866] There is a higher liability where the salary is, say, blank and over than there is for the salary blank and under.

* * *

Q. (By Mr. Dyer) Now, the annual premium on this policy was paid by Deering-Milliken and Co., Inc.? A. Yes, sir.

* * *

[1867] Q. What I am thinking of is this: Where an insurance company develops a new or different type of insurance, do you look into that and attempt to determine whether it would be beneficial to the mill to have that type of insurance and then if so do you recommend it to the mill? A. Yes, sir.

Q. Now, in addition to the master policies I have mentioned this morning, were there any other master policies

of any type which the mills shared in? A. Well, I am not sure I recall every form of insurance that you mentioned.

Q. For instance, the boiler insurance, was that a master policy for all—— A. Yes sir.

Q. And the business interruption insurance? A. Yes.

[1868] Q. The plate glass insurance? A. That was —that varied.

Q. Oh, that is right. I understand you had some mills that were windowless mills? A. Well not only that, but many of the mills did not consider insuring plate glass to be worth while. And there were very few really that obtained plate glass insurance. And the policies on that varied from year to year.

Q. How about liability insurance for motor vehicles? A. Yes, sir.

Q. That was a master policy? A. Yes, sir.

Q. And how about the general liability insurance on mill properties? A. Yes, sir.

Q. And the Lloyd's Excess Liability Insurance? A. Blanket policy.

Q. What would the excess liability insurance policy be? A. Lloyd's Policy provides additional amounts of insurance over the Liberty Mutual Policy in existence.

* * *

Cross Examination

Q. (By Mr. Janes) Mr. Wilson, do any of the D-M Mills [1869] have any insurance departments?

* * *

The Witness: No, sir. They handle many aspects of insurance.

Hearing Officer: Who handles?

The Witness: Mill personnel. But they do not have an insurance department.

Q. (By Mr. Janes) What personnel in the mill? A. Well, I would presume it varies.

Q. Well, let's take Darlington? A. Darlington, I think there has been evidence of the personnel department handling insurance matters, pertaining to the processing of group insurance and Workmen's Compensation Insurance.

The personnel manager, the superintendent of the mill, and the mill treasurer are involved directly with the handling of the claim, the processing of it, all of the details involved.

Q. Would that be substantially true in the other plants? A. Yes, it would.

* * *

[1873] Q. Now, Mr. Wilson, during the entire period of 1955, 1956 and 1957, covered by your questioning by Mr. Dyer, was there any instance where Darlington paid any more for the benefits under the coverages as you described them than it would have paid had there been a series of single policies issued to Darlington, itself? A. No, sir, I don't think so.

Q. Correspondingly, is there any instance where adverse experience at any mill corporation or mill corporation property where the mill was selling through Deering-Milliken and Company—where that adverse experience caused any expense or increase in rate to Darlington? A. No, sir.

Mr. Janes: I object to that.

Hearing Officer: Read the question.

(The question read by reporter.)

Mr. Updike: Is that question still obscure, Mr. Buchanan? If so, I will rephrase it.

[1874] The Witness: No, sir, Mr. Updike.

Q. (By Mr. Updike) Now, on the other hand, did the inclusion of Darlington under so-called blanket policies increase the benefits to Darlington for the premiums that it was paying? A. Yes, sir.

Q. Measurably so? A. Yes, sir.

I think the most important of those was brought out in the discussion of fire insurance with the unlimited, almost, amount of insurance that could be applied to Darlington.

Q. Did Mr. Dyer ask you about this on his questioning this morning? A. I thought he did, sir.

Mr. Dyer: I asked a question about the fire insurance policy being a blanket policy.

Q. (By Mr. Updike) Would you be more specific with respect to the fire insurance coverage at Darlington?

To what extent did Darlington receive a greater benefit for the premium paid than it might have received under individual policy just covering Darlington alone? A. Well, a blanket policy in itself is—I thought I understood your question to be what if Darlington had purchased a fire insurance policy on their own, they would have been limited by the specific amount of insurance they paid. And [1875] as I recall, in Darlington's case, their amount of insurance was somewhere around $6 million. The total fire insurance blanket policy amounted to approximately $170— or $175 million. And this limit was available to Darlington in any single loss.

Q. In other words if Darlington's single loss were in excess of six millon dollars, it could—— A. It could have

collected the excess amount, which is very important with the fluctuations that occur in raw materials and finished goods at any given time.

Hearing Officer: Would that be at the same premium to Darlington?

The Witness: Yes, sir. There is no additional premium for that. We merely pyramid the amount of insurance.

* * *

Q. (By Mr. Updike) In dealing with the mill treasurers, were there any decisions by them with respect to insurance coverage that were different and unique treasurer by treasurer so to speak? [1876] A. Well, the group insurance varied all over the lot. Each mill selected their own benefits very definitely. It varied.

Q. Was that true with respect to Mr. Oeland at Darlington? A. Yes, sir. His benefits were selected at Darlington. And I presume part of his basis of selection was for the needs and competitiveness of other mills in the area, which would be greatly different from any other mill.

Q. I think you have already told us that some of the mill treasurers rejected plate glass insurance as unimportant. A. Yes. I mentioned that just a few seconds ago. And I can think of two mills that rejected the portion—a portion of our boiler insurance policy that they considered completely unnecessary. Or at least they were not willing to pay the premium for it.

* * *

[1877] Q. Now, as I understand your testimony, the only policies at Darlington that touched the hourly-paid employees were Workmen's Compensation and Group Life. Am I correct in that? A. Yes.

Q. As to those policies Deering-Milliken was not a party in either instance, was it? A. They were not named on either of those policies, no.

Q. Deering-Milliken had its own policy coverage with respect to group life, did it not?

[1878] I believe you testified to that? A. Yes, sir.

Was that also true with respect to Workmen's Compensation? A. Yes, sir.

* * *

Redirect Examination

Q. (By Mr. Dyer) Just one question.

Was the group health insurance at Deering-Milliken held by the same carrier as it was for all the mill corporations? A. Yes, sir.

Q. What about Workmen's Compensation? A. Yes, sir.

Q. Same carriers? A. Yes, sir.

* * *

[1882] KENNETH M. LOWRY, was called to the stand as a witness, and having been first duly sworn, was examined and testified as follows:

Trial Examiner: Where do you live?
The Witness: In Greenville, South Carolina.

Direct Examination

Q. (By Mr. Dyer) Mr. Lowry, can you tell us what your connection with the Deering, Milliken Service Corporation is? A. Yes, sir. I am General Manager of the Palmetto Service Corporation it is now.

Q. Pardon me? A. It is now the Palmetto Service Corporation.

Q. In other words, the name has been changed from Deering, Milliken Service Corporation to Palmetto Service Corporation? A. Yes, sir.

Q. Can you tell us in 1956 were you the Manager of the Deering, Milliken Service Corporation at that time?

* * *

[1883] Q. (By Mr. Dyer) Mr. Lowry, when did you come with the Deering, Milliken Service Corporation? A. In 1951 when it was formed.

Q. I see. And where had you been prior to that time? A. With Judson Mills.

Q. Judson Mills is one of the mills which sells through Deering, Milliken Service Corporation? A. That is correct.

Mr. Updike: No, not through the Service Corporation. Through Deering, Milliken and Co.

Mr. Dyer: Yes. I am sorry. The Deering, Milliken and Co., Inc.?

The Witness: Yes.

Q. (By Mr. Dyer) Had you been with Judson Mills—had you been with any other mill besides Judson prior to that time? A. I did work for Abbeville Mills and Laurens Mills and Excelsior-Clemson.

Trial Examiner: Are all of these what we are calling Deering, Milliken Mills?

* * *

[1884] Q. Can you tell us approximately what size staff the Service Corporation has? A. At the present time?

Q. No. In 1956? A. The Industrial Engineering Department had between 20 and 25 people. I am not sure of the rest of the departments.

Q. Among the people in the Industrial Engineering Department did you have a Mr. Moss? A. Yes, sir.

Q. What was his position? A. He was my assistant.

Q. And what about Mr. Hubbard? A. Mr. Hubbard was one of the industrial engineers.

Q. I see. Can you tell us where Mr. Moss came from prior to coming with Deering, Milliken Service Corporation? [1885] A. Yes, sir. He came from Fiberglas.

Q. It that a subsidiary of Owens-Corning Glass Company? A. Yes, sir.

Q. Had Mr. Moss had any experience with any of the mills, Deering, Milliken Mills, before coming to Deering, Milliken Service Corporation? A. No, sir, he had not.

Q. What about Mr. Hubbard? A. Yes, sir. Mr. Hubbard had experience at Judson Mills.

Q. I see.

* * *

Q. (By Mr. Dyer) Mr. Lowry, is this the standard form of agreement by which the Service Corporation entered into a contract with each of the many mills? A. Each of the mills that sell through Deering Milliken; is that what you mean?

[1886] Q. Yes. A. Yes, sir.

Q. All right.

Now, on this Service Agreement—this is the contract between Darlington and the Service Corporation; is that correct? A. Yes, sir.

* * *

[1887] Q. You mean that before 1951 several departments did exist which did various pieces of business, and they were later incorporated into Deering, Milliken Service Corporation? A. Yes, sir.

Q. Can you tell us what those were?

* * *

The Witness: I am sorry.

The Purchasing Department, the Cotton Purchasing Department, Cotton Waste Department, the Yarn Department, the Textile Machinery Department, the Engineering Department, the Industrial Engineering Department, Cost Department, and [1888] Placement Department.

Q. (By Mr. Dyer) They had no corporate form prior to 1951; is that correct? A. Yes, sir.

* * *

[1889] Q. (By Mr. Dyer) I see.

In other words, the Industrial Engineering Department, as such, as set up at Judson Mills? And did it service all the other mills? A. Yes, sir.

Q. Now, can you tell us whether all of the corporations, the mill corporations, in 1956 owned stock in the Service Corporation? A. Yes, sir.

Q. Did the Service Corporation perform any services for any corporations which did not own stock in Deering Milliken Service Corporation? A. Yes, sir.

Q. For what other corporations? A. For W. R. Grace and Company.

* * *

[1890] Q. (By Mr. Dyer) Can you tell us what company that is? A. It is a company that owns some textile mills in South America, and some purchasing was done for them.

Q. This was when, in 1955 or 1956? A. I believe that was in 1955. I would have to check that, however.

* * *

Trial Examiner: The question was did it perform services for any other corporations besides W. R. Grace?

Mr. Updike: With respect to any mills selling through Deering, Milliken, I guess is the question.

Trial Examiner: All right.

The Witness: Not that I am aware of.

Mr. Dyer: All right.

* * *

[1891] Mr. Updike: I think Mr. Roger Milliken is a Director of W. R. Grace and Company; but otherwise there is no connection. It is a well known company listed on the New York Stock Exchange.

* * *

[1892] Mr. Updike: Mr. Dyer, before you go on with that exhibit, May I read to the Examiner one brief portion of Exhibit F-1 which has not been referred to?

I am reading from paragraph 4: "Nothing herein contained shall require the Second Party"—that is Darlington Manufacturing Company—"to avail itself of the services of any particular Department or Departments of DMSC or prohibit the Second Party"—Darlington again—"from [1893] contracting with any other person, firm or corporation for services of the same or a similar kind as those offered by any Department."

In paragraph 6 it says: "This agreement may be terminated at any time by either party upon not more than sixty days' and not less than forty days' notice in writing."

And then the terms upon which the termination takes place are then set out.

* * *

Q. (By Mr. Dyer) Referring again to GC F-1, let me ask you if any of the corporations which were stockholders of Deering, Milliken Service Corporation ever terminated their agreements on any other basis except their liquidation? A. No, sir.

* * *

Q. (By Mr. Dyer) Now, there are a number of shares of stock listed, certain corporations having one, and some of them three and four, and some two.

Can you tell us on what basis corporations bought their shares of stock? A. I was not familiar with that at that time.

Q. Well, have you since become familiar with it? [1894] A. Yes, sir.

Q. And how is it done? A. Each mill that is sold through Deering, Milliken owns a share of stock.

Q. I notice some of them own more than one share of stock. On what basis do they own more? A. Because they have more than one operating unit.

* * *

[1897] Q. (By Mr. Dyer) Then the form of paper which you are holding now, GC F-3, you said, is obsolete but is presently being used at Deering, Milliken Service Corporation as a scratch pad form; is that right? A. Yes, sir.

[1898] Q. And when did this form become obsolete? A. When the Service Corporation was formed, I believe.

Q. In other words, this is the form that was in use prior to the incorporation of the Service Corporation by the Textile Machinery Department; is that right? A. Yes, sir.

* * *

[1908] Trial Examiner: Have employees of Deering, Milliken Service Corporation——

Mr. Updike: Former employees of the Service Corporation.

Trial Examiner: All right, former employees. Have former [1909] employees of Deering, Milliken Service Corporation gone to work with various mills which sell through Deering, Milliken?

The Witness: Yes, sir.

Q. (By Mr. Dyer) And have similarly people from the mills gone to work for Deering, Milliken Service Corporation? A. Yes, sir.

Q. Limiting it to your own department, the Industrial Engineering Department, has there been much turnover in that regard? A. Of people being hired by the mills that sell through Deering, Milliken?

Q. Yes, sir. And you hiring people from the mills? A. Yes, sir.

Q. Can you give us an idea of what that turnover was, say, in 1955 and 1956? A. I would estimate approximately ten men may have gone to work for the mills and separated from the Service Corporation.

Q. How about people coming into the Service Corporation? A. I think it was perhaps two or three.

* * *

[1910] Q. What other type of projects would there be? In other words, if it was a project that only that mill

could benefit from, the mill would be charged; is that right? A. Yes, sir.

Q. If it was a project that other mills could benefit from, how would the charges be made? A. Well, that was done at the start of the year by an estimated budget of what the activities of the department would be for the coming year. And it was approved by the treasurers.

[1911] Q. I see. Would those be called projects? A. They would be called the activities of the Department rather than projects.

Q. In those activities, for instance, if you had, say, some question of how a loom would operate with certain equipment added to it, would that be a project such as the other mills might benefit from? A. Yes, sir.

Q. And how would the cost of the Deering, Milliken Industrial Engineering Department personnel be apportioned to that? A. On a project of that type, it would be on the number of looms. Of that particular type of loom, that is, that the mills that we were servicing had.

Q. In other words, if "A" mill had fifty of those looms, and "B" mill had two hundred of those looms, et cetera, right down through the whole run of mills, you would apportion the cost by the number of looms in each? A. Yes.

Q. Of that same type?

Mr. Updike: The phrase "the whole run of mills" assumes that all the looms did exist in all the mills.

Mr. Dyer: Yes, sir.

Mr. Updike: You must remember here we are dealing perhaps with woolen mills, synthetics mills, and so on.

[1912] Mr. Dyer: Yes. sir.

Trial Examiner. The apportionment would be made among all the mills according to a given type? And the mills that did not have that type would presumably be zero?

Mr. Updike: Exactly. That is right.

Trial Examiner: And these were called projects, were we told?

Mr. Updike: Activities.

Mr. Dyer: Activities. yes.

* * *

[1913] Q. (By Mr. Dyer) Now, at the time of Darlington's liquidation, Mr. Lowry, did you make a survey or cause a survey to be made of Darlington's supervisory personnel?

* * *

Q. (By Mr. Dyer) Was any survey made of the Darlington supervisory personnel? [1914] A. I asked Mr. Oeland regarding men that he thought I might find useful in our type of work. And I assumed that he did make a survey.

Q. Well, what were you given by Mr. Oeland? Were you given a list of names? A. Yes. Names of people that he thought I might find useful in the Industrial Engineering Department because of their past experience.

Q. Did you, pursuant to the list, offer to those people at Darlington—did you offer jobs to those people from Darlington? A. Well, unfortunately most of them were located at other mills other than Darlington prior to the time that we were going to take them on our payroll.

Q. I understand that. But right after Mr. Oeland wrote this letter to you——

Trial Examiner: Well, when you say "they were located" you mean they got jobs?

The Witness: Got jobs, yes, sir.

Q. (By Mr. Dyer) Did you offer to take the complete list as handed to you by Mr. Oeland? A. I don't recall exactly how we handled that. Mr. Oeland and I discussed the people. And I told Mr. Oeland the ones that I felt would be useful to us in our work. And I think we agreed on that basis.

[1915] Q. And were you taking all of these people on the DMIED payroll with the expectation that some of them might be picked up by the other mills? A. By "the other mills" you mean the other mills which were selling through Deering, Milliken?

Q. Yes. A. Yes, sir.

Q. I think in the first sentence of this letter addressed to you Mr. Oeland speaks of a three months period. A. Yes, sir.

Q. Can you tell us what the purpose of that was? A. We felt that in three months we would have an opportunity to evaluate the type of work that they were doing in that department.

It is a normal more or less probationary period for people who are starting in the Industrial Engineering Department.

Q. Well, was the purpose of it also——

Trial Examiner: In which department?

The Witness: In the Industrial Engineering Department.

Q. (By Mr. Dyer) Is the purpose of it also to allow a period of time in which these people could also be picked up by the other mills? A. If the other mills so desired, yes.

* * *

[1916] Q. In other words, none of the people who had been working at Darlington did go to work for DMIED?

* * *

Mr. Goodwin did come back to Industrial Engineering.

* * *

[1919] Mr. Dyer: May I have this marked GC F-9.

* * *

Q. (By Mr. Dyer) Is this in reference to one of the employees who is scheduled to work for DMIED? A. Yes, sir.

Q. Now, this individual, J. E. Anderson, is a yard foreman; is that correct? A. Yes, sir.

Q. Did he have any engineering experience? A. No, sir.

[1920] Q. So, when DMIED made arrangements to put Mr. Anderson on DMIED's payroll, was it for the purpose of holding him for three months so that another mill might be able to pick him up? A. No, sir.

It was commonly a practice to put a practical man with an engineer, particularly on warehouse layouts, materials-handling to get the benefit of their practical experience.

* * *

[1922] Q. (By Mr. Dyer) In the original letter you stated—that is, in the letter from Mr. Oeland to you—that contained quite a few more names than just this letter; is that correct? A. We discussed more names.

Q. Approximately how many? Do you have any recollection? Would it be ten or twelve people? A. It would be approximately ten or twelve people, yes, sir.

Q. All right. And I think in accordance with the Trial Examiner's statement, there were expectations that some, if not all, of these people would either go to work at DM or at [1923] some of the mills, at some of the DM Mills; is that right? A. If the mills wanted to hire those people, yes.

* * *

Q. (By Mr. Dyer) Well, let me particularize even further. At the Industrial Engineering Department of DMSC or DM Mills? A. Yes, sir.

* * *

[1927] Mr. Dyer: Mark this GC F-11.

* * *

Q. (By Mr. Dyer) Now, in the first paragraph, Mr. Lowry, you make reference to the discussion at our meeting at Drayton yesterday.

Can you tell us what meeting that was? A. That was a meeting of the mill treasurers.

[1928] Q. Did you attend such meetings? A. Yes, sir.

Q. Did you have any connection with any of the mills at that time as a treasurer or any other position? A. No, sir. Just in the Service Corporation.

Q. Pardon me? A. Just my connection with the Industrial Engineering Department.

Q. I see.

Now, was the prospect of hiring—well, let's first identify "I.T.T.".

What is I. T. T.? A. That is the Institute of Textile Technology in Charlesville, Virginia.

* * *

Q. Now, did you, along with the treasurers, discuss—well, [1929] let me ask this first: At these treasurers meetings, who appeared at the treasurers meetings? Do all the treasurers of all the DM Mills appear? A. The Treasurers and mill managers.

Q. And mill managers? A. Yes, sir.

Q. And who else? A. Various members of the Service Corporation. Perhaps a mill superintendent.

Q. Does Mr. Roger Milliken appear at these meetings? A. Yes, sir.

Q. What about the Research Corporation? A. Yes, sir.

Q. Now, at this meeting, was the prospective employment of I. T. T. graduates discussed? A. Yes, sir.

Q. And referring to the paragraph under the names, was it generally agreed by all the persons present at this Treasurers meeting that a salary of five thousand dollars would be offered to these prospective graduates? A. If the mill treasurer after interviewing the man decided that he wanted to employ him, then he would offer five thousand dollars if he felt the man was worth it.

Q. Well, what I am asking is: At the Treasurers meeting was the amount of salary to be offered to these graduates [1930] discussed? And was it agreed that five thousand dollars would be the figure offered? A. Yes, sir.

Q. Now, in regard to I. T. T., did the Deering, Milliken Industrial Engineering Department maintain some form of liaison between the mills and I. T. T.? A. We attended—I usually attended their technical advisory committee meetings.

Trial Examiner: You mean the I. T. T.?

The Witness: The I. T. T. Technical Advisory Committee meetings, yes.

Q. (By Mr. Dyer) And after attending these meetings, did you pass on the information which you felt the mills should have to the mills? A. In a number of cases, yes, sir.

Q. And any information which emanated from I. T. T. and other sources, say bulletins, and so forth, would you be the conduit, shall we say, for passing that information on to the DM Mills? A. No, sir. That would go directly to the mill concerned.

Q. Would go directly to the mills? A. Yes, sir.

Q. And were the mills——

Trial Examiner: Well, from whom would it go?

Q. (By Mr. Dyer:) From I. T. T.? [1931] A. I. T. T., yes, sir.

Q. Were the mills making contributions to this Institute? A. Yes, sir.

Q. And did the Service Corporation make contributions to the Institute? A. No, sir.

Q. Now, as to the number of names on there and mills to which they were to go, who decided who was going to which mill? A. The individual mill treasurer who had a knowledge of these men from their visits to I. T. T.

Q. In other words, the mill treasurers also visited I. T. T.? A. Yes.

* * *

Q. (By Mr. Dyer) Was the arrangement of which of the I. T. T. graduates was going to which mill, was that arranged at the Treasurers Meeting? [1932] A. Yes, sir.

Q. Now, to get into the functions of the Industrial Engineering Department, can you tell us what services the Industrial Engineering Department offered to the DM Mills? A. Yes, sir.

It was the advice and consultation on such things as plant layout, materials-handling problems, waste control practices, time study training, work assignments, wage incentive plans, and such work as that.

* * *

[1935] Trial Examiner: GC F-12 is received in evidence.

* * *

Q. (By Mr. Dyer) Now, in this memorandum from Mr. Milliken, did you receive a copy of this memorandum? A. It isn't indicated. But I recall seeing this letter.

Q. All right.

In this memorandum, Mr. Milliken indicates he has been talking with you. And he asked you to find out about the status of the different projects that apparently these mills had been working on; is that correct? [1936] A. Yes, sir.

Q. Now, can you tell us what these projects would be? A. The various mill treasurers agreed that each mill would work on a particular project such as a carding project, or what is the best speed to run a card, and what is the best type of quilling to use.

And that is the type of project that he is referring to.

Q. All right.

And who, if you can tell me, thought up the idea for these various projects? A. It was the result of a meeting that was held. It just came forth from the group. I don't think you can say any one person thought up the idea.

Q. Well, when you talk about a meeting, would that be one of the treasurers meetings? A. Yes, sir.

Q. Just to get it on the record: Are the treasurers meetings held on a quarterly basis? A. They were at that time, yes, sir.

Q. During 1955 and 1956? A. Yes, sir.

Q. Now, as a result, the decision at one of the treasurers meetings was made that the various mills would take on various projects; is that right? A. Yes, sir.

[1937] Q. And was the function of the Industrial Engineering Department to coordinate those projects? A. Well, the function of the Industrial Engineering Department was to work with the mills' industrial engineering departments to compile this information for presentation.

Q. Well, in addition to compiling the information for presentation, did the industrial Engineering Department work directly with the mills in evaluating the project or in attempting to direct its course or what direction it should take? A. They worked with them in an advisory capacity, yes, sir.

Q. And were the results of these projects to be made known to all of the mills, all the DM Mills? A. Yes, sir.

Q. For whatever benefit they could get out of it? A. Yes, sir.

* * *

[1938] Q. (By Mr. Dyer) What did your Department do? A. We worked with the mill on the form the report was going to make. The mill would make its own presentation at the meeting.

* * *

[1940] Q. (By Mr. Dyer) Now, Mr. Oeland asked you to make further checks to see if the loom sides are strong enough to support this beam.

Was that part of your regular function in the Industrial Engineering Department? A. Yes, sir.

Q. Would this be a request similar to those you had received from the other mills as to the strength of the machinery and what it could do? A. Yes, sir.

This is because we had a specialist on looms, Mr. Goodwin, who had been with Draper and was familiar with this particular product.

* * *

[1941] Q. Now, did you also receive requests from mills such as one from Darlington in October of 1955 about DMIED's experience in putting control rolls on forty-five inch cards? A. DMIED would have no experience in putting control rolls on, but we may have been familiar with a mill that had done it.

Q. All right. And where you were familiar with a mill that had had that experience, would you refer the requesting person to that mill for the information? A. Yes, sir.

Mr. Dyer: Mark this GC F-14.

* * *

[1942] Q. (By Mr. Dyer) Mr. Lowry, can you tell us what a MTM course is? A. It is a Methods Time Measurement. It is a form of motion study.

Q. All right.

And did Mr. Hubbard of the DMIED specialize in giving courses in methods time measurement?

Trial Examiner: Who was that?

Mr. Dyer: Mr. Hubbard.

The Witness: That was one of his functions, yes, sir.

Q. (By Mr. Dyer) And did he give such courses at all of the DM Mills? A. He gave courses that the mills would send their men to, if they desired.

Q. Would send their men what? [1943] A. If they desired to send a man to the course, they would do so. They were usually located at a mill, at the site, for convenience.

Q. I see.

And what line of individuals at a mill would be included in such a course? A. Usually they are industrial engineering department trainees.

Q. Would any of the supervisory department personnel in the Operating Division of the mill be included? A. Occasionally they would be, yes.

* * *

[1945] Q. Excuse me.

In making your audit of the Industrial Engineering Department of each mill, would your audit consist mainly of the practices or would you also take into account the personnel of the Industrial Engineering Department? A. It would be the way the personnel applied the practices.

Q. All right.

Would you make recommendations in regard to the practices of that personnel? A. Yes, sir.

* * *

[1955] Trial Examiner: GC F-17 is received in evidence.

* * *

Q. (By Mr. Dyer) Can you tell us in general what individuals are addressed on this memorandum? Are these the personnel managers and the mill treasurers? A. The memorandum is addressed to the Industrial Engineering De-Department managers of the various mills.

Q. I see.

With copies going to the mill treasurers? [1956] A. The mill treasurers and the mill manager or superintendent.

Q. I see. Thank you.

Now, this refers to another course. Were there previous courses given by Mr. Hubbard to the—would it be in this case the industrial engineering trainees on time study? A. Yes, sir.

Q. And was there any regularity in giving these time study courses, or just as called for? A. It was usually as requested by the mills depending upon how their trainees were employed by the mills.

Q. And in giving these courses, did Mr. Hubbard—what did he work from? Was there any particular reference that he worked from? A. Yes, sir. He worked from the combination of a course which was given by Ralph Barnes at the University of Iowa, by notes that were gotten from Allen Mogensen who conducts the Work Simplification Conferences, by notes that were obtained from consulting engineers who had done work in some of the mills at the mill's request.

Q. Now, in addition to industrial engineering trainees at the various mills engaging in time study courses at the mills, did DMIED personnel make time studies at the various DM mills? A. Not unless a mill didn't have adequate personnel at their plant?

[1957] If they had a series of rush jobs they might call on DMIED to assign a man to that mill for a certain period of time.

Mr. Dyer: Mark this GC F-18.

* * *

[1958] Q. (By Mr. Dyer) Let me ask you, Mr. Lowry, a fee is mentioned in this exhibit of 150 per man for the fifteen days training.

Who was to receive this fee? A. DMIED.

Q. Mr. Hubbard was not to receive the fee personally, but it was to go to DMIED? A. Yes, sir.

Q. To cover the cost of training? A. Yes, sir.

Q. Would materials be provided by DMIED in regard to this training? A. Yes, sir.

Q. Such as what? A. Such as notes, stop watches, practice boards, clip boards, machinery designed to help people with their rating, and things of that nature.

Q. You said notes. That would be notes that you referred to previously from which Mr. Hubbard worked in setting out this course? [1959] A. Yes, sir.

Q. Would there be any textural information, any books of any type, that would be given out to them? A. Yes, sir.

Q. And would those be books prepared by DMIED or other books? A. It would be books prepared by DMIED, certain of the information. The rest of it would be obtained and compiled and given to the persons attending in the form of a notebook.

* * *

Trial Examiner: GC F-18 is received.

* * *

Q. (By Mr. Dyer) Now, in the first paragraph, Mr. Lowry, [1960] you make reference to "at our last management and development committee meeting."

What is that committee?

A. That was a committee of Treasurers who were to discuss additional training that could be provided for supervisory personnel to give them tools to do their job better.

Q. Who set up the committee? A. It was at a Treasurer's meeting that it was set up. So, the Treasurers themselves set the committee up.

Q. Who acts as the Chairman of these Treasurers Meetings, if anyone? A. Usually a chairman is appointed

at a meeting—a chairman is appointed for the next meeting. And it would be usually a Mill Treasurer or a Mill Manager.

Q. Who does the appointing? A. Whoever the Chairman is at that meeting. The Chairman will ask someone to take the next meeting.

Q. I see. Now, are the names as listed on this exhibit—do they constitute the membership of the committee?

Trial Examiner: The names listed where? Do you mean the two up above?

Mr. Dyer: Yes, sir.

The Witness: They are the Mill Treasurers.

Trial Examiner: Are they the members of the committee?

The Witness: And they are also the members of the [1961] Management and Development Committee.

Q. (By Mr. Dyer) Now, not all of the names up there are Mill Treasurers, are they? A. They are either Mill Treasurers or Vice Presidents holding the same comparable position.

* * *

[1965] Trial Examiner: GC F-20 is received.

* * *

[1966] Mr. Updike: The Board meeting was held September 12th, and the stockholders' meeting was held October 17th?

Mr. Dyer: That is correct.

Q. (By Mr. Dyer) Mr. Lowry, in the first paragraph, reference is made to a poster being put out in Burlington.

Can you indicate—well, you indicate that the various mill treasurers received copies from Anne Ebersbach.

Is Anne Ebersbach Mr. Roger Milliken's personal secretary? A. Yes, sir.

Q. Can you tell us what these posters which the mill Treasurers received concerned? A. I don't recall specifically the poster. But I do recall the point that I was making in this memorandum. And the poster had a great big splash across: "Stretch".

And that was the point that I was making in this: that apparently they had not done a good job.

Trial Examiner: They had not, you say?

The Witness: Burlington had not done a good job in their industrial activities.

Q. (By Mr. Dyer) You mean by "big splash" that there was a big poster put out by Burlington in which someone had written across "Stretch out"? [1967] A. No. A poster put out by the union.

Q. I see.

Your point in communicating with the mill was that you wanted the mills to do a better job of selling where work assignment changes were being made; is that right? A. I asked the mills if they would review with their industrial Engineering Department and with their supervisors the procedures that were being followed so that they could assure themselves that they were doing an adequate job.

Q. And you offered any assistance that you could give; is that correct? A. Yes, sir.

Q. What form would such assistance take? Would that be sending personnel from DMIED to the mill in question? A. Discussing with it; discussing the changes with the Mill Treasurer, or whoever he designated, as the proper

Industrial Engineering procedures to follow, and a study of work assignments.

Q. And would it also include the proper way to make such changes known to the personnel involved? A. It would include a suggested way.

Mr. Updike: A recommended way?
The Witness: Yes.

Q. (By Mr. Dyer) Now, when you say in your memorandum "a thorough selling job", is what you are referring to the idea that——

[1968] Trial Examiner: Well, in what connection is that?

Mr. Dyer: Excuse me.

In the second sentence it says: "I think this points out to us the absolute necessity of doing a thorough selling job on any change that is being made in our work assignments."

When you speak of the selling job, do you mean by that putting across to the employees what the changes are about?

A. And making the employee a participant in the change insofar as possible; telling them in advance that their job will be studied, and asking for their suggestions and their help in making the job more productive.

Q. Well, is that the selling job? In other words, getting the employee to participate in the change? A. Yes, sir.

* * *

[1981] Q. Now, the central cotton warehouse was set up as the Cotton Blossom Warehouse; is that correct? A. Yes, sir.

Mr. Updike: Mr. Buchanan, Mr. Dyer has stated to me that he wished to place on the record the ownership of the stock in the Cotton Blossom Central Warehouse. And for the record I state that the ownership mill by mill utilizing cotton—of course, it is confined to those mills which do consume cotton—is similar to the basis that I outlined the other day in another connection. That is, you take all the cotton consumed as a denominator by the total of the mills here involved; and then the numerator of the fraction is the amount of cotton consumed by the particular mill. And that fraction of the total stock of the Cotton Blossom is what is owned by that mill.

There is one footnote to that last statement: I understand that Mr. Marshall Stone, Treasurer of the Pacolet Manufacturing Company, elected not to go forward with this program except to the extent of five percent of his cotton consumption. So that his participation is limited to that fraction of the cotton consumption of Pacolet.

Mr. Dyer: Would it be true, then, that the rest of the percentage of stock was distributed among the other mills that [1982] did participate.

Mr. Updike: Yes, on the basis indicated.

The amount of cotton utilized, figuring the denominator, would only include five percent of Pacolet's cotton.

Mr. Dyer: I see.

Mr. Updike: And the numerator of the fraction would also be five percent of Pacolet's cotton.

* * *

[1985] Q. Mr. Moss states in GC F-25 that both he and you, Mr. Lowry, would visit Darlington in the near

future and review a program designed to insure the development and installation of job assignments which will be current with the installation of new machinery and auxiliary equipment."

Can you tell us what the program was? A. Yes, sir.

Our program was to work with his Industrial Engineering Department so that as the machinery was put into place the proper studies were made and temporary standards were set up until the machines became adjusted and running and the quality of work was at the acceptable level.

Q. All right.

And in setting up these temporary assignments, would you call on your experience in other mills? A. We did not set the standards. The Industrial Engineering Department of the mill set the standards. And we advised.

Q. Would you advise the Industrial Engineering Department of each mill in each case what you thought the standards should be, based on your experience at other mills? A. No. We would advise them of the procedure.

Q. Of the procedure solely? A. To be used, yes. Because a standard at one mill would be something entirely different at another mill. There were [1986] variations in machinery and in cotton, in the amount of cleaning that a particular treasurer or manager, mill manager, decides he wants to do on machinery. So, one standard at one mill could not be used at another mill.

Q. Well, would you use the standards at other mills as a references? A. Yes, sir, we would do that.

Q. Were you called upon by Darlington to review the program once it had been set up? A. I am not sure of that. I believe so.

Q. And in the review of the Department, would you suggest changes to the Department for these job assignments? A. Not for the job assignments. For their method of performing the industrial engineering function.

Q. I see.

Did your Department ever set up standards for a job or jobs at any of the mills? I mean exact standards of work to be performed? A. Not unless it was a case where they were shorthanded at a mill and they asked for a man to be assigned to them to work in their industrial engineering department under their supervision.

* * *

[1987] Q. (By Mr. Dyer) Now, referring you to GC F-26, Mr. Hawkins was then the Technical Superintendent of Darlington; is that correct? A. Yes.

Q. He asked Mr. Clark Hubbard of your Department for a Battery Hand Manual as prepared by your Department for Monarch Mills and Lockhart Plant.

For my edification, as well as any others who wish to be edified, can you tell us what a Battery Hand is? A. A Battery Hand is an operator who replaces quills on a loom. It is what they call a Battery of Quills. And as [1988] the yarn is used up from one quill, it automatically changes and puts a new quill in the shuttle. And the battery hand is the person who replaces the quills in the battery.

Q. I see.

Now, had your department prepared a manual for the battery hand job at the Lockhart Plant of Monarch? A. No. Our Department had worked with Lockhart and the manual was prepared by the Lockhart Industrial Engineering Department.

Q. Did your department have copies of such? A. Yes, we did.

Q. And did you forward copies to Darlington at Mr. Hawkins' request? A. Yes, sir, we did.

Q. Can you tell us just what such a manual would include? A. It was basically a job prescription telling what the job was, a breakdown of the elements of work in the job, standard times for performing the elements, and a calculation of the work assignment.

Q. All right. Would there be anything regarding pay on that? A. Yes, sir.

Q. Now, turning to GC F-27, had Darlington made—had the Industrial Engineering Department at Darlington made a study [1989] of the spinner and doffer jobs? A. Yes, sir.

* * *

Q. (By Mr. Dyer) Did Darlington request you have someone work with them to prepare a manual for those jobs? A. I am not sure whether that was to prepare a manual or to review the procedures that were used in working up these assignments.

Q. There is a reference in here to the supervisor's checklist. What is that? A. That was some work that was done at the request of one mill to make up a list that the supervisors could use as to what they should be checking as far as the industrial engineering function is concerned?

Q. Well, can you tell me what the reference is to it here where Mr. Hubbard says "With reference to your study of spinner and doffer jobs, I can plan to work with you as soon as the supervisors' check list has been completed."? A. That meant when he had completed his assignment with that mill.

Q. I see. Now, can you tell us, if you know, whether manuals were written for these jobs at Darlington? A. I am not sure. But I assume they were.

Q. All right.

* * *

[1991] Trial Examiner: GC F-28 is received in evidence.

* * *

Q. (By Mr. Dyer) Was this form used only by Darlington, or was it used by some other mills also? A. Some other mills used this form, yes.

Q. I notice at the top it is typed on the form "Mill" and then a dash, and the word "Darlington" is typed in. A. Yes.

* * *

Q. Can you tell us whether Mr. Clark Hubbard did some work in regard to this form? A. I believe he did.

* * *

[1993] And under the "Comments" it states: "September 1954—Job installed. Revised weekly in accordance with pkg. wts. and tailings."

What does that mean? A. That means as the package weights vary coming from the spinning room, that the work content of that job changes. So, the assignment is changed to compensate for additional work or if there is less work, the assignment is changed upward.

Q. Would that also have something to do with pay rates? A. It would have something to do with the incentive rate.

Q. And the incentive rate would be changed each week? A. Yes, sir.

* * *

[1994] Q. (By Mr. Dyer) Where manuals were prepared, if they were prepared at Darlington, would copies of those manuals be forwarded to the I. E. Department? A. Yes.

Q. In the case of manuals prepared on such a job, would such manuals be sent to your department? A. Yes, sir.

Q. Would your department make comparisons of those manuals? A. Unless we were using it to advise with a mill on the installation that they were working on, no, sir.

* * *

[1995] Q. (By Mr. Dyer) Now, was a part of the purpose of this survey to determine how many industrial engineers or industrial engineering trainees would be needed at Darlington to make the survey called for in here? A. Yes, sir.

Q. In other words, this was to help Darlington determine how many people they would need to do these jobs? A. How many people they would need in their industrial engineering staff, yes, sir.

* * *

[1996] Now, was your department asked to help make surveys such as this at other DM Mills? A. Yes, sir.

Mr. Updike: When you say "Surveys such as this" you mean surveys designed to estimate the total amount of time it would take for DMIED, or for somebody, to do the particular work involved?

Mr. Dyer: Yes, sir, that is what I mean.

[1997] Q. (By Mr. Dyer) Did you understand my question as such? A. Yes, sir.

Q. Let me go back for one moment to the question of the form of this standard survey. Was this form itself—you

said it was used by Darlington and a number of other mills. Can you tell us who designed this form itself? A. I am sorry I cannot. It may have been Clark Hubbard.

* * *

Trial Examiner: GC F-29 will be received in evidence.

* * *

[1998] (By Mr. Dyer) Mr. Lowry, in the lefthand corner, the names—well, those are the Mill Treasurers, are they not? A. Yes, sir.

Q. And in the courtesy copies, who are those individuals? Are those mill managers or superintendents? I note at the bottom is the name Mr. Roger Milliken. A. Yes. The other individuals are mill managers or superintendents.

Q. Thank you.

Now, can you tell us what the Quarterly Job Assignment Savings Report is? A. Yes, sir. That was a report that the mills wished to have compiled to show how they stood in comparison with their goal. And also how they stood on their accomplishments as compared to other mills in the group.

Q. Now, in the last paragraph on the first page, you refer to this:

> "In order to more thoroughly cover the activity and progress of the Industrial Engineering Departments, we have been asked to develop a program to systematically review each mill's Industrial Engineering operating procedures and program. This review is to stress compliance with standard procedures such as:
>
> "1. Time Study Techniques.
>
> "2. Method Time Measurement.

[1999] "3. Incentive Payment Procedures.

"4. Standards Manuals Preparation.

"5. Standards Maintenance and Follow Up Procedures.

"6. Programming and Goals.

"As soon as the procedure for auditing the Industrial Engineering activities is complete, we plan to visit each mill for review."

Is this what we were speaking of earlier when I asked if you audited the Industrial Engineering Departments of each of the mills?

A. Yes, sir.

Trial Examiner: First the procedure for auditing is established?

The Witness: Yes, sir.

Trial Examiner: Is that correct?

The Witness: Yes, sir.

Q. (By Mr. Dyer) Turning to the third page, this is listed as "Employees on Mill Hourly Payroll." And then the various mills are given, along with the total of the employees, and the number and percentage who are on measured jobs. And then goals are given; is that correct?

A. Yes, sir.

Q. So that by referring to this page, a mill such as Darlington, for example, could see what percentage of its employees were on measured jobs as compared to any of the other mills? [2000] A. Yes, sir.

Q. And how far they were from completion of their goal; is that correct? A. Yes, sir.

* * *

[2002] Trial Examiner: GC F-30 is received.

* * *

Q. (By Mr. Dyer) Mr. Lowry, you make reference in the initial paragraph to Mr. Milliken's letter of August 25 regarding the specific goals and recommendations for our [2003] meeting on October 11.

Can you tell us what Mr. Milliken's letter is about? A. I believe that letter was suggesting that each mill set up a goal for every process in the mill. And after I had discussed it with some of the Treasurers, they felt that that was too big a bite to take at one time. So they suggested that we just concentrate on the jobs that were outlined in this memorandum.

Q. Now, and those jobs are the jobs employing the most personnel at each of the mills; is that correct? A. Yes, sir.

Q. All right.

In your second paragraph you state: "We will be contacting you very shortly to work with you on getting up your present assignments and getting factual information about competitive assignments so that you may set your goal." A. Yes, sir.

Q. And so your department worked very closely with each of the mills in trying to help the mills set up their goals; is that right? A. Yes, sir.

Q. In that you gave information to each of the mills concerning competitive assignments. What do you mean by that? A. Assignments that are being used by mills such as Spring, Burlington, Stevens.

[2004] Q. In other words, mills outside of DM, you had information about what their job assignments were, and you were trying here to set up goals at least to better or equal them? A. Yes, sir.

* * *

[2005] Trial Examiner: GC F-31 is received.

* * *

Q. (By Mr. Dyer) Mr. Lowry, the subject is stated as "Standard Maintenance Audit, Roving Tender—Darlington."

Is this an audit made by Mr. Hubbard of the Roving Tender job at Darlington? A. This was an audit made by Mr. Hubbard of the actual conditions as compared to the conditions in the manual.

Q. I see. Was this a check in a way? A. Yes, sir.

Q. Performed at whose request? A. At the request of the mill.

Q. Was this individually requested by the mill? Or was this [2006] part of the check referred to in GC F-29? At the bottom of the paragraph, that is.

Trial Examiner: To visit each mill for review?
Mr. Dyer: Yes, sir.
The Witness: This is part of that check.

Q. (By Mr. Dyer) This is a part of the check mentioned in GC F-29? A. Yes, sir.

* * *

[2008] Q. Now, did your department maintain a record of these audits made at the various mills? A. Yes, sir.

* * *

[2009] Trial Examiner: GC F-32 will be received in evidence.

* * *

Q. (By Mr. Dyer) The subject stated on the initial page is "Salary Basis for Second Hands."

The first paragraph starts: "As you recall at our Treasurers' Meeting at Drayton on Tuesday, July 17th, there was a discussion regarding paying 'second hands' or, as they are now called in many cases, 'assistant overseers' on a salary basis. The question arose as to what the pension plan cost would be and if there would be any cost for prior service."

Can you tell us what the discussion at Drayton—can you tell us what the full discussion at Drayton was about? A. Some of the Treasurers were paying second hands on an hourly basis. And there was a discussion as to whether or not they should put them on a salary basis. And they wanted to know what it would cost their mill for the additional pension costs. And they asked if I would write and find out what that cost would be.

Q. In other words, is it true that all personnel on a salary basis of supervisory stature at the mills are in the Deering, Milliken Retirement Plan? A. I believe that is correct, yes.

Q. All right.

And if it was decided to put all second hands on a salary [2010] basis, that would automatically qualify them for the Retirement Plan? A. There were certain exceptions as were noted here.

Q. All right.

And you wrote to the law firm of Ivins, Phillips and Barker to find out what would be necessary in order to qualify them; is that correct? A. Yes, sir.

Q. And as a result of your letter to the law firm and Mr. Bomar's reply to you, were not certain changes suggested for the Retirement Plan to qualify these individuals immediately rather than having them wait two years? A. No, there were not recommendations.

Mr. Bomar said that this could be done.

Q. He said that it could be done? And he said further that if it was decided that they wanted to have the second hands qualified immediately for the Retirement Plan, some of the language of the Retirement Plan qualifications would have to be changed; is that right? A. Yes, sir.

Q. Going back to the discussion that took place at Drayton, do you recall who, if anybody, brought up the topic? A. No, I don't recall who brought it up.

Q. Now, in order to determine what the additional pension plan costs would be, did you ask each of the mills for [2011] information so that you could determine what the cost would be after sending it to an actuary to compile? A. Yes, sir.

Q. Can you tell us what information was called for in these forms?

I note that there is none attached to this memorandum. A. It was the age of the individual, the amount of salary, the length of service. I recall those.

Q. Now, was the information received from all the mills in regard to the costs? A. Regarding the——

Q. Regarding the information you requested from the mills, did you get copies from all of them? A. Yes.

Q. Did you submit that to an actuary? A. Yes, sir.

Q. And was the result reported at the next Treasurers meeting? A. No. It was given to the individual mills. And they decided whether they wanted to go on a salary basis or not.

* * *

[2012] Mr. Updike: Just so the record may be clear, I think there may be two references, not to the Deering, Milliken Mills Retirement Plan, but to the Deering, Milliken Retirement Plan. And I wanted

to be sure that this exhibit, F-32, refers only to the Deering Milliken Mills Retirement Plan.

Mr. Dyer: Excuse me. I thought there was just one plan. Are there two plans?

Mr. Updike: It is my understanding that there are.

Mr. Dyer: Excuse me.

Then can we note for the record, Mr. Examiner, that the reference should be in all these questions to the Deering, Milliken Mills Retirement Plan, rather than to the Deering, Milliken Retirement Plan.

* * *

[2015] Q. (By Mr. Dyer) So that the survey, GC F-28, was performed by your department for the purpose of finding out how much work would be needed to be done at Darlington for installation of this standard cost system; is that correct? A. The report was prepared by the Darlington Industrial Engineering Department and was reviewed with us.

Q. I see. Did Mr. Clark Hubbard assist in preparing that report? A. He may have assisted.

Q. Now, you go on to state: "In reviewing your present industrial engineering department personnel, we decided that this department's organization should be developed along the lines shown on the attached organization chart."

Now, who is the "we" who reviewed the Industrial Engineering Department's personnel and decided on the attached organizational chart? A. Mr. Oeland and his superintendent, his industrial engineer and Mr. Moss and myself.

Q. All right. And the chart as shown on the back shows spaces [2016] for various personnel; is that correct? A. Yes, sir.

Q. And shows various personnel already in place. That is, you had an I. E. trainee, an I. E. department manager, all under the technical superintendent, with all other jobs being—well, you have some marked "open"; is that correct? A. Yes, sir.

Q. In other words, for Darlington to set up a proper Industrial Engineering Department, they should follow this organization chart and employ needed personnel.

Mr. Updike: That is if they wanted a standard cost engineered system; isn't that right?

The Witness: Yes, sir.

Q. (By Mr. Dyer) As far as you knew, Darlington wanted a standard cost engineering system; is that right? A. Yes, sir.

Q. Thank you.

Mr. Updike: Not "engineering" system, but "engineered" system.

Mr. Dyer: All right.

Q. (By Mr. Dyer) Now, as far as—you go on to state that "Examination of this chart will indicate that you presently need two additional industrial engineers and in line with our discussion, you will plan to employ personnel for these openings as soon as possible. We feel that this industrial [2017] engineering organization, when developed for Darlington, will be able to complete and maintain a comprehensive program. We also feel that once this organization is developed, it should be continually maintained by making sure that when a man is transferred, a trainee is already on hand to fill the vacancy."

Now, your next paragraph states: "As the industrial engineering department is developed, it will be possible to

determine direct and indirect labor standards outlined in detail on the survey dated May 9, 1956 and we can then go ahead with other work necessary to the installation of the standard cost system.

Now, can you tell us what that other work would be? A. That would be developing supply costs detail, the amount of waste being produced, the speeds of the machines, and that type of information.

Q. And their DMIED would assist in determining that; is that correct? A. If the mill wished us to.

* * *

[2020] Q. I come now, Mr. Lowry, to a book titled "Deering, Milliken and Company, Inc., Accident Prevention Procedure" with a title "Liberty Mutual Loss Prevention Department" at the bottom.

[2021] Can you identify this for us? A. May I see it.

Q. Yes. A. Yes. That is a book that Liberty Mutual maintains for the mills.

Q. All right. What is the purpose of that book? Can you give us that just broadly? A. To help reduce accidents in the mills.

Q. And does this book have general information and also particular information with reference to the individual mills? A. Yes, sir.

Q. And in this were certain procedures set up for the mills and what to do in various instances? A. I am not sure——

Q. Well, for instance, I refer you to page ME-2 wherein hazards are set out, and recommendations for safe practices are set out. A. Yes, sir.

Q. Can you tell us who wrote this? A. Liberty Mutual Engineer.

Q. All right. And it is continued on a second page. And I see a stamp at the bottom "Approved K. M. Lowry, Deering, Milliken and Company Industrial Engineering Department." A. Yes, sir.

* * *

[2023] Q. (By Mr. Dyer) Is this book in standard use by the mills affiliated—or by the DM mills at the present time? And was it in standard use in 1956? A. Yes, sir.

Q. By the mills? A. Yes, sir.

Q. All right.

Trial Examiner: It still is used, you say?

The Witness: Yes, sir.

* * *

[2038] *Cross-Examination* (Resumed)

Q. (By Mr. Updike)

* * *

[2039] Q. Now prior to 1951, was your department, the Industrial Engineering Department, incorporated? A. No, sir.

Q. Under what name did it operate? A. The Deering, Milliken Industrial Engineering Department.

Q. Now, is that the name which appears in this rubber stamp in this exhibit? A. Yes, sir.

Mr. Dyer: Excuse me?

Q. (By Mr. Updike) It isn't an exhibit, is it? I should say in the Loss Prevention Book?

Mr. Dyer: Was the answer to the question that the name appears as Deering, Milliken Industrial Engineering Department?

Mr. Updike: Yes.

Mr. Dyer: Because if that is the answer, I would take leave to dispute it.

Mr. Updike: Actually it says, "Deering, Milliken and Company, Industrial Engineering Department."

Trial Examiner: Now, we are referring to the stamp.

[2040] Mr. Updike: To the stamp that appears on the page in the book, yes.

Trial Examiner: The witness, I think, has just told us that prior to 1951 his department operated as the Deering-Milliken Engineering Department; no "and Company" in that.

Mr. Updike: I don't think it makes any difference, because it was not incorporated; this was a name used by the witness and his associates in pursuing his activities at that time.

* * *

[2048] Q. (By Mr. Updike) Now, would you tell the Examiner the circumstances in which Mr. Goodwin, then employed at Darlington, was asked to help you with regard to the specifications for looms at Gaffney? A. Well, it was because of his past experience and his knowledge of that particular type of loom. He was very familiar with all of the specifications of that particular type of loom.

Q. Had he or had he not actually worked on the beginning of the specification problem before he left the engineering department, your department? A. Yes, sir, he had.

Q. On this project involving Gaffney, is that right? A. Yes, sir, he had worked at Gaffney.

* * *

[2059] Q. Now, you have been at this work for a good many years, have you not? A. Yes, sir.

Q. Taking the three years in question first of all, do you know of any instance where the job assignments between Mills "A", "B" and "C", working in the same general area—say three print cloth mills—were those job assignments identical from one to another?

The Witness: No, sir.

Q. (By Mr. Updike) Now what can you say with respect to the uniformity or lack of it as regards hours of work from [2060] one mill to another? A. There is no uniformity. That depends entirely on how the mill wants to schedule their production.

Mr. Dyer: Could we get some clarification? I want to know if he is talking about how many hours a week the mill works?

Mr. Updike: I assure that is what he is talking about. Is that right?

The Witness: Also the number of spare hands the mill feels they want to have. Some mills will want everyone to work 48 hours. Other mills that decide they want to try for a 40-hour week.

Q. (By Mr. Updike) The presence or absence of spare hands has some effect on the number of hours worked by the non-spare hands; is that correct? A. Yes, sir.

Q. I just wanted to be sure I understood what you were saying, Mr. Lowry.

What can you say with respect to the uniformity or non-uniformity of conditions of employment? A. As far as I know there is absolutely no uniformity at all.

Q. Have you told us who the members of the Board of Directors of the Service Corporation are? A. No, sir.

[2061] Q. I believe you told us who the stockholders were.

The stockholders, first of all, do not include Deering, Milliken and Co., Inc., is that correct? A. Yes, sir.

Q. The stockholders, I believe, are the mills whom you serve; is that right? A. Yes, sir.

Q. Now, who constitutes the Board of Directors of the Service Corporation? A. Marshall Stone, the Treasurer of Pacolet; Allen Sibley, Treasurer of Judson; Joe Norton of Gaffney; Mr. Milliken; George Asnip who is Treasurer of the worsted mills; Joe Meehan who is Treasurer of the Woolen Mills; Bill Sibley who is Treasurer of Monarch.

* * *

Q. Were you a member of the Board in 1955-1956? [2062] A. I was appointed a director in November of 1956.

Q. To whom did you report in 1955 and 1956? A. To Allen Sibley.

* * *

Redirect Examination

Q. (By Mr. Dyer)

* * *

[2063] Q. Now, Mr. Updike asked you concerning this exhibit, General Counsel's F-24. And I think you told us yesterday that DMIED did perform the services on all except the last two items, No. 6 and No. 7; is that right? [2064] A. Yes, sir.

* * *

Q. And if you had had the personnel, you would have performed the service? A. Yes, sir.

* * *

[2067] Q. All right. In response to another question of Mr. Updike, I believe you testified that Deering-Milliken and Co., Inc., did not directly own any textile machinery, is that right? A. Yes, sir.

Q. Can you tell us how you come by that knowledge? A. They have no operating plants.

Q. I see. You know that they have no operating plants as such; is that right? A. Yes, sir.

[2068] Q. Is that the only basis of your knowledge in making that statement? A. Yes, sir.

Q. Now in regard to movement of personnel between mills I think you said there was no movement as such between your department and Deering, Milliken and Co., Inc., is that right? A. That is correct, sir.

Q. Is it true, however, that sales trainees as such for Deering, Milliken and Co. Inc., were sent on trips through the mills and also to talk to the various departments of the Service Corporation to find out how they operated, what they did, and what interest the mills had in the marketing field?

Mr. Updike: There are several questions there.

Mr. Dyer: All right. I will break it down.

Q. (By Mr. Dyer) Do you know whether sales trainees of Deering, Milliken and Co. Inc., made visits to the various mills? A. I know that some did. I am not familiar with that program.

Q. All right. Do you know whether the same sales trainees met with various of the department heads of Deering, Milliken Service Corporation with regard to the functions performed by Deering, Milliken Service Corporation? A. I can speak for myself that I don't think I talked [2069] with over two sales trainees in the entire time that I have been in this capacity.

Q. I think you said that you yourself and various personnel from the industrial engineering department made visits to outside mills; is that correct? A. Yes, sir.

* * *

[2072] Q. I think you have stated that the hours of work at the mills were dissimilar. Can you tell us what you mean by the "hours of work."? A. The number of hours employees worked per week.

[2073] Q. Number of hours they worked per week? A. Yes.

Q. In other words some employees might work 40 hours, some might work 48 hours; and the spare hands would work varying amounts of time? A. Yes, sir.

Q. Can you tell us whether the mills were in 1955 and 1956 all operating on a 3-shift basis? A. That would be quite dissimilar too.

Q. Well, were they all working three shifts a day? A. I don't know the answer.

And you would have to be much more specific and name it by department.

Which department do you mean running three shifts?

Q. You mean that in some of the mills some of the departments in each individual mill would only work one shift; for instance the Cloth Room might work just one shift a day, whereas the weaving room might run three shifts a day: is that correct? A. That is correct, sir.

Q. Well, is it true that in practically all of the D-M Mills the Cloth Room only works on one shift? A. No, sir, it is not.

Q. And how many of them would that be true of? A. I would estimate that it is roughly half and half.

[2074] Q. All right. Now what about the weave rooms? Do the weave rooms—let's confine it to cotton, the cotton plants operating during 1956—were the weave rooms in the cotton mills, the D-M Cotton Mills, running three shifts a day? A. I am not thoroughly familiar with that. I have a recollection that some of the mills did curtail the third shift.

Q. Some did curtail the third shift? A. Yes.

Q. Towards the last part of the year? A. I don't remember exactly when it was.

Q. Would that be on the basis of orders, not having sufficient orders? A. I would assume so, yes, sir.

Q. Now, can you tell us whether the mills, the D-M Mills, operated six days a week or seven days a week? A. That also varies.

Q. Would practically all of them operate on a six-day week schedule? A. No, sir, I can't say that.

Q. You don't know? A. I don't know that, no.

Trial Examiner: If you don't know whether practically all of them are on a 6-day schedule, how do you know that there is variation among them?

The Witness: I know isolated cases where one mill was [2075] only running three days a week. I know another case where a mill was running seven days a week.

Q. (By Mr. Dyer) Would that, again, be determined from the number of orders on hand at the mill?

Mr. Updike: You mean number or volume of orders?

Mr. Dyer: Volume of orders.

Q. (By Mr. Dyer) Can you tell us whether the mills operated on the basis of the basic work week being 40 hours

a week for all the employees; and, naturally, they would be paying time and a half for everything over 40 hours? A. Well, that is the law.

Trial Examiner: That is the law. They would be violating the law if they didn't.

Mr. Dyer: That is true.

Q. (By Mr. Dyer) Was it the purpose of the mills to try to get most of the employees to work on a 40-hour week basis rather than anything less than that? A. That was entirely up to the individual mill.

* * *

Recross Examination

[2076] Q. (By Mr. Updike) To what extent, if you recall, Mr. Lowry, if at all, has your organization recommended to Treasurers that they hire industrial engineering or related services independent of yours? A. In a number of instances, sir.

Q. Can you give us some illustrations of this, please? A. Yes, sir. A number of the mills have retained Allen Mogensen.

Q. Is he the man who was referred to in one of the exhibits yesterday who conducted the classes at Lake Placid, I think, it was? A. Yes, sir.

[2077] A. All right. Any others that have been retained? A. Yes, sir, several. Barnes Textile Associates. Raphy E. Loper, Industrial Engineer.

Q. We have heard of Barnes Textile Associates earlier in this case.

What does Mr. Loper do; or what does that organization do? A. They are a firm of consulting industrial engineers.

Q. Now when these consultants are hired, if you know, who pays for their services? A. The mill who hires them.

Q. And your organization does not do so? A. No, sir.

Q. Now, the other question: Are you familiar with whether some mills, for example, have a day of rest program? A. Day of rest program?

Q. Well, if you don't recognize it, I will not pursue that.

Do some mills rotate their shifts and others run steady on the same shift? A. Yes, sir.

Q. To be perhaps more clear and specific, say one week a group of people would be on an early shift and the next week they might be on the middle shift and another week they would be on the late shift; is that right? [2078] A. Yes, sir. It is commonly what is called "swing shift".

Q. Does this vary from one mill and treasurer to another? A. Yes, sir.

Mr. Updike: That is all.

Further Redirect Examination

Q. (By Mr. Dyer) In regard to the independent services, when they are retained, does the Deering, Milliken Industrial Engineering Department work with the mill and with the independent service in setting out the desired purposes for which the services are obtained? A. Not necessarily, sir.

Q. For instance when Barnes Textiles—Barnes Textile was retained for a survey at Darlington—the industrial engineering department did work with both Darlington and Barnes Textile in outlining the extent to which the survey was to be made; is that right? A. Yes, sir.

Q. And where recommendations were made by the independent textile firm, those recommendations were made with both DMIED personnel and Darlington personnel being present. And the recommendations would be discussed among the group; is that right? A. Not necessarily, sir.

Q. Was that done at Darlington where Barnes made his recommendations? [2079] A. I believe his first recommendation was made only to Mr. Oeland. And then that Mr. Oeland asked if I would come down and review the recommendations with him.

* * *

[2094] (By Mr. Updike) Now, if you will bear with me for a moment, in this it seems to me clear that the burden of proof rests with the Board and with the charging party——

Trial Examiner: With the General Counsel and the Charging Party.

Mr. Updike: Yes, you are quite right.

* * *

[2104] HAL C. BYRD, called as a witness, having been first duly sworn, was examined and testified as follows:

Trial Examiner: What is your full name?

The Witness: Hal C. Byrd.

Trial Examiner: Where do you live?

The Witness: Spartanburg, South Carolina.

Direct Examination

Q. (By Mr. Dyer) Mr. Byrd, will you tell us what your connection with the purchasing department is at Deering, Milliken Service Corporation? A. Purchasing Agent.

Q. You run the purchasing department? A. That is correct, sir.

Q. When did you come with Deering, Milliken Service Corporation? A. I came with the Service Corporation when it was formed.

Q. In other words you had had some connection with purchasing prior to the formation of the Service Corporation? A. Yes, sir.

[2105] Q. Now, can you give us an idea of what the Staff of the Purchasing Department is, how many people are on it. A. We have approximately—well, we have thirteen people in the department.

Q. And can you tell us what the functions of the department are—the purchasing department? A. The functions of the purchasing department are to purchase supplies and equipment for the various mills which we represent as requested by them.

Q. Do you also purchase equipment for the Service Corporation itself and for the Research Corporation? A. Yes, sir.

Q. Are there every any occasions when you purchase equipment for Deering, Milliken and Company? A. Yes, sir.

* * *

[2109] Q. Now, can you tell us the manner by which orders are placed with the purchasing department? A. Yes, sir. The mill first of all makes a decision itself that it needs something. And when that decision is reached, they prepare usually a purchase requisition which is approved at the mill by a part of the management of the mill. In some [2110] mills it is the superintendent. In other mills, it is the manager. And then they forward the requisition to our department for placing the order. And they usually recommend a vendor for which the supply item is to come.

Q. And on occasion, do you recommend to the mills what vendor to use? A. Yes, sir.

Q. All right. And after you have received this requisition, what do you then do? What does your department then do? A. Well, the requisition goes first of all to the appropriate buyer of the item. He takes whatever action is necessary then to procure the item as called for by the mill.

Q. All right. Now, in the case of—for instance, Darlington did some building. They were adding to their weave room. They had an electrical contractor—they were going to have to have an electrical contractor. Now where items of that nature are called for, does a purchase requisition—or does an order of some type go to the purchasing department and the purchasing department put out request for bids? A. Yes.

Q. And what happens there? A. That is actually handled in two ways.

Q. Would you describe them? A. Yes. We may submit requests for quotations and certain items such as, let us say, almost of fixtures for—lamp [2111] fixtures for a new addition, that coming under Mr. White's category of items to purchase. If it is an item of a construction nature such as internal wiring, the details may be worked out by the engineering department with the mill and approved by the mill prior to the engineering department seeking bids or quotations on the work to be done.

Q. Does the engineering department is that instance seek the quotations, or does the engineering department work through the purchasing department to get the quotations? A. Both. They do both.

Q. All right. And when the quotations are received on an item—let's get back to your example of light fixtures—you get quotations from a number of suppliers? A. That is correct.

Q. Would you then make a recommendation to the mill as to which supplier would be best? A. We would usually supply the mill with the information relative to the bids involved. And we would make a recommendation in most cases to accept a particular bidder, not necessarily because of low price but because of the price consistent with the specification of the mills' desires.

This is taking into account also the delivery and the responsibility of the vendor so bidding.

Q. I see.

Now, can you tell us what is the basis—does the [2112] purchasing department charge the mills for this service? A. Yes.

Q. What is the basis of the charge? A. On the dollar volume of supplies purchased.

* * *

Q. (By Mr. Dyer) You mean at the end of the year the volume of purchases is figured up and whatever percentages a mill has in the volume of purchases they are charged that price? A. They are charged a percentage of the cost of the department, yes.

* * *

[2113] Q. Wherever possible do you consolidate purchases at one supplier? For instance, if you have orders from mills, a number of different mills, for one or two particular items, do you attempt to consolidate those orders as one order and place it with one supplier? A. Yes.

Q. In order to obtain the lowest unit cost? A. That is correct.

Q. Now, in addition to making purchases from outside suppliers, are there also purchases that are made from mill to mill? A. There are purchases made within the—there

are purchases made among the mills that we purchase for, yes, or between mills.

Q. Is that mainly in the nature of used equipment; is that right? A. That is correct.

* * *

Q. (By Mr. Dyer) Does the Abbeville Mill maintain a printing plant? A. Yes, sir, they do.

Q. And are practically all of the purchases of stationery [2114] and printing supplies and forms and pads made from the Abbeville Plant? A. No, sir.

Q. What percentage would be? A. I would guess 25 percent.

Q. Is that because of the capacity of the Abbeville Printing Presses? A. That is part of the reason, yes, sir.

* * *

Q. All right. Thank you.

Now, the purchasing department—I think you may have [2115] answered this—handles the sales of surplus equipment and supplies between the mills? A. Would you repeat that?

Q. The purchasing department handles sales of surplus equipment between mills; is that right? A. They do part of the time and part of the time they don't.

Q. In some instances the mills may make an arrangement among themselves, is that right? A. In some instances the mills may actually trade themselves, yes.

Trial Examiner: You mean trade with one another?

The Witness: Trade with one another, yes, sir.

* * *

[2116] Q. (By Mr. Dyer) Would the mills upon occasion notify the purchasing department where they had surplus items which they wished to get rid of? A. Yes.

Q. Would this be an example of an instance where a certain mill has notified the purchasing department that they had surplus items? A. Yes.

Q. And then the purchasing department in turn wrote to the remaining mills saying we have got a surplus, and "do you want it?"; is that the idea? A. That is the idea, yes.

* * *

[2117] Q. (By Mr. Dyer) Mr. Byrd, can you tell us what the Deering, Milliken Service Corporation revolving fund is? A. Yes, sir.

That is a small fund that is set up for the purpose of our having available in the department cash which we can use to make a purchase of a real bargain at an appropriate time.

Q. In other words, where you are quite sure that the mill will eventually use an item that you can get a good buy on it, to go ahead and buy it? A. That is correct, yes, sir.

Q. Who contributed to this revolving fund? A. The revolving fund is contributed to by this Deering, Milliken Service Corporation from the various stockholder mills.

Q. In other words, each of the mills has kicked in a portion to set up this fund; is that right? A. The amount of the—the amount set up in the account of the revolving fund was obtained from the Service [2118] corporation. And just how it was split up, I am not aware.

Trial Examiner: You said it was contributed to by each stockholder corporation?

* * *

Mr. Updike:

* * *

The revolving fund is a fund of up to $10,000 which this witness may draw on from the total funds as contributed, as just stated, for the purpose that he has been testifying to.

Mr. Dyer: Is that ten thousand each year, or what?

Mr. Updike: I guess it is ten thousand at any time—I would assume that if he can use it to get this bargain piece and then sell it later on to replenish his fund, he can then start to use it over again.

* * *

[2119] Trial Examiner: No, General Counsel's G-2. I have the same connection in connection with General Counsel's G-1.

Mr. Dyer: All right.

Q. (By Mr. Dyer) "Before offering these outside the organization we would like to know if the Deering, Milliken mills have any interest."

Was it standard practice before selling such an item to see if any of the D-M Mills wanted it before you would sell it to any outsider?

* * *

Trial Examiner: What about General Counsel's G-1? I think the question at that time related to mills generally. And Darlington was cited as an example.

Q. (By Mr. Dyer) When you state "within the organization, [2120] do you mean the D-M Mills? A. We mean those mills for which we are purchasing.

* * *

Q. (By Mr. Dyer) And those are the stockholders? A. That is correct. The stockholder mills.

* * *

[2122] Mr. Dyer: I now offer General Counsel's G-5 and G-6.

* * *

[2123] Q. How often would you get out a bulletin of this nature? A. As equipment would come up for sale.

Q. In other words, as soon as you were notified by a mill that they had this equipment for sale you would get out a bulletin to the rest of the mills? A. That is the usual practice, yes.

Q. All right. I note on General Counsel's G-6 there is a [2124] reply by Mr. Oeland. Would you turn to that, please?

In this letter to you Mr. Oeland tells you that he is not interested in the two particular spinning frames but he wants something a little bit different. And he asks you to check around and keep them in mind stating, "and we hope it is possible one of the D-M Mills will be replacing frames of this type and we will be able to purchase them."

Is that typical of the reply you might receive from a mill? A. I would say yes.

Q. All right, thank you. A. They may not go into the detail that Mr. Oeland did, however.

Q. Now, where a bulletin is received at a mill and the mill decides to purchase some of this used equipment for another mill, how do they proceed to purchase the equipment? A. Well, now, normally they would contact Mr. Higginbotham and arrange, first of all, for a visit to look at the machinery, whether it was within the organization or within the group for which we purchase, or whether it

would be outside. They would send a mill representative to inspect the equipment.

Q. Let me ask you just at this point: In some cases would a representative from DMIED or DMCR be sent to check the equipment at the request of the mill? A. That is possible, yes.

[2125] Q. All right.

Would you go ahead? A. And after the equipment is inspected, then they would advise Mr. Higginbotham further as to whether or not they were interested in proceeding with the purchase. And he would act accordingly.

Q. Now in some instances where a mill wishes to sell some used equipment but doesn't know what it ought to get for the equipment, would the mill ask you to set up what would be a fair price for the equipment—would it ask your department to set up a fair price? A. They would ask for a price on the equipment or what would be the going market price. And that price would either be given them immediately or established if we weren't perfectly familiar with the market at that time.

Q. All right. And going further with the matter as to the actual purchase by the mill; would the mill who was going to purchase this used equipment from the other mill submit a purchase requisition again and go through the form you have given us before? A. They would either do that, sir, or they would ask Mr. Higginbotham by telephone or by written letter to proceed with the purchase.

* * *

[2127] Trial Examiner: I want to make certain I have this right. I think the witness told us that the purchasing department charges are based on the dollar volume of supplies purchased.

Mr. Updike: Yes, sir.

Trial Examiner: The charges are not based on sales, are they? I mean they are not charged to the seller, the selling mill?

Mr. Dyer: Well, let me clarify that.

Q. (By Mr. Dyer) Are the charges for which the purchasing department makes its charges those where purchases are made outside the organization? A. Yes.

Q. Is there any basis for charges for things bought within the organization? [2128]. A. Yes.

Q. Is there any basis for charges for things bought within the organization? A. It is all handled, sir, on the basis of total supply purchases by the mill. That may include, if the mill purchased anything from within the organization, it would include that figure also, because it would be a supply item to them.

* * *

[2131] Q. (By Mr. Dyer) In General Counsel's G-10, the subject is stated as "Report on Trial Installation of Bahnson Pneumatic End Collection Equipment."

Did the purchasing department arrange for a trial installation at Pacolet No. 4? A. Yes.

Q. And the supplier, Bahnson, arranged to put some pneumatic collection equipment on what, 20 frames? A. Yes.

Q. Can you tell us: Did Mr. Wise write this report which goes on for some five pages and goes into considerable detail? A. Yes, Mr. Wise wrote this report.

Q. Did Mr. Wise have any help in writing this report? A. Yes.

[2132] Q. From Deering, Milliken Industrial Engineering Department and from the Mill? A. Yes.

Q. Now, this item of putting in a trial installation is not isolated, is it?

Is this something that occurs every so often? A. Well, occasionally, yes, we follow an item under test, let's say.

Q. Well, what I mean to say is are trial installations made at other mills, say, five or ten trial installations made at other mills, a year, of various types of equipment?

How frequently would trial installations be made? A. You mean as conducted by our department, sir?

Q. Well trial installations of mills where you have something to do with procuring the trial installation for the mill? A. Trial installations are going on most of the time.

Q. And in most of the cases does the purchasing department have something to do with getting a trial installation set up at one or the other mills? A. We do have something to do with it. And I would like to explain just what that is.

Q. Would you, please? A. We obtain purchase information: the availability, the price, and any other helpful information we can; and we [2133] usually supply that information to DMIED, whose function it is to work with the mill in setting up the trial installation as a usual rule.

Q. Well, would the, let's say, formal correspondence of getting a supplier to set up a trial installation be handled through your department or through DMIED? A. It could be by either or both.

* * *

Trial Examiner: General Counsel's G-11 is received.

* * *

Q. (By Mr. Dyer) Now does this memorandum have reference to a group purchase of Pneumastop made through the purchasing department?

* * *

[2136] Mr. Dyer: Mr. Examiner, I now offer in evidence what has been marked General Counsel's G-12, being a request for quotation form, in this instance dated March 7, 1956. The head note reads: "Deering, Milliken Mills Purchasing Department."

The request for quotation——

Trial Examiner: That is from them?

Mr. Dyer: Yes, sir, that is headed "Deering, Milliken Purchasing Department."

* * *

Q. (By Mr. Dyer) May I ask if this is the type of form used where a mill requests some type of equipment and he wishes to get quotations from various suppliers?

* * *

[2140] Q. Well is equipment loaned on occasion from mill to mill? A. Very rarely. It may be.

* * *

Q. I recall on one occasion—correct me if I am wrong—that some circuit breakers were loaned by Darlington to I believe Pacolet. Is that the type of equipment which would be loaned? A. It may be, yes.

* * *

[2141] Mr. Dyer: Mr. Examiner, I will ask the witness a question in regard to a memorandum which I am handing him addressed to various mill treasurers.

Q. (By Mr. Dyer) This is dated October 13, 1955. Mr. Byrd, would this represent—well, in this memorandum you list various types of equipment which are for sale. Were

these items of equipment those purchased through the revolving fund which you were offering to the mills? A. I believe the Veeder-Root pick counters—well, yes, I believe they are, yes.

Q. And in regard to the Veeder-Root pick counters, did you state "We have optioned the entire lot to one of our competitors subject to prior sale."? A. Yes.

Q. In other words, you were trying to protect—in case any of the D-M mills wanted one, you would sell it to them. And if none of the D-M Mills bought it, you would sell it to a competitor; is that right? A. That is right.

* * *

[2148] Trial Examiner: General Counsel's G-16 is received.

(The document above-referred to, heretofore marked General Counsel's G-16 for identification, was received in evidence)

Q. (By Mr. Dyer) Is this the standard form of authorization for capital expenditure used for all mills?

Mr. Updike: If you know.
Mr. Dyer: If you know, yes.
Trial Examiner: When you say "all mills"——
Mr. Dyer: All D-M Mills.
The Witness: I believe so.
Mr. Dyer: All right.

* * *

[2150] Q. (By Mr. Dyer) Now there is other information requested such as the Service Life when the equipment is new; experimental, et cetera. And at the bottom there is space for approval signatures.

And it shows two lines for the mill with the date. Then a line for DMIED with the date. And then two lines

to the right saying "NY"—"NY" standing for New York —and the date.

Now, the approval signatures at the mill would be by whom, the mill treasurer and the superintendent? A. Possibly, yes.

[2151] Q. And who would the approval signature from DMIED be? A. That would probably there be the head of the department.

* * *

The Witness: That is right, I do not know.

Mr. Updike: I will stipulate that it has to be approved both by the Board of Directors and by Mr. Roger Milliken in any company where he is president. The only exception to that, Mr. Milliken reminds me, is that as occasionally appears at Darlington, the directors themselves will authorize the Treasurer to have a discretionary fund for capital expenditures of, I think, 25,000 or perhaps 50,000 dollars in one of the years in question.

Mr. Dyer: Well, Mr. Updike could we find out right now who the approval signatures in New York would be?

Mr. Updike: Those were there when Mr. Milliken was in New York. They have not been used since he was in South Carolina.

Mr. Dyer: This capital expenditure form is for 1956. You mean the form has not been used?

[2152] Mr. Updike: Not been filled out since he has been down here.

Mr. Dyer: Then the "New York" on this form would refer to the previous time when Mr. Milliken's office was in New York.

Mr. Updike: Yes, sir.

* * *

[2153] Mr. Dyer: That is the point I was attempting to clarify. In other words, it is Mr. Roger Milliken who writes his signature of approval on that form rather than the Board of Directors.

Mr. Updike: Yes, sir.

Mr. Dyer: I will so stipulate.

Trial Examiner: Is it correct to say that the Board of Directors of a mill approved large capital expenditures in advance? As to other expenditures Roger Milliken approved and the Board later ratifies.

I am asking it because I didn't know that I had it right.

Mr. Dyer: My understanding is that the board approves [2154] large amounts, not for specific capital expenditures, but for areas of capital expenditure.

Mr. Updike: For example, the Board may approve $285,000 for new spinning frames.

It may approve $140,000 for new weave room equipment without specifying what it is. That will be an aggregate sum to be spent by the officers, namely, the treasurer and Mr. Milliken as President.

Trial Examiner: The Board approves areas and amounts for capital expenditures in advance. Is that an accurate statement?

Mr. Updike: Yes, sir.

Mr. Dyer: Yes, sir.

Mr. Updike: That is prospectively.

Trial Examiner: Roger Milliken approves, shall we say, specific expenditures which the Board later ratifies.

Mr. Updike: Well the Board may later ratify it if need arose. But if he has already got the authority, the ratification isn't necessary.

Trial Examiner: Well there was some reference to later action by the Board during one of these colloquys.

Mr. Dyer: Yes, sir. I was mistaken. I said it was approved by the Board afterwards. Mr. Updike corrected me that it is approved by the Board in advance.

* * *

[2155] Trial Examiner: General Counsel's G-17 is received.

* * *

[2158] Q. Going to the second page under the third item entitled "Double, Griffin size boxes."

Mr. Oeland states: "We will wait until after discussions on recommendations made by Gaffney and DMIED before purchasing the above size boxes."

Now, is that in reference to a test of size boxes being made at Gaffney with the help of DMIED in regard to finding out what is the best machinery to purchase? A. That was with reference to a test that Gaffney was making on the double Griffin size boxes.

Q. My question is: Is this a part of the testing program that was going on at the various mills about finding out the best type of equipment to buy? A. Yes.

* * *

[2160] Mr. Dyer: I believe the witness has been here during the time of the testimony of Mr. Lowry.

Mr. Updike: Yes.

Mr. Dyer: Mr. Lowry's testimony had reference to a program to test various types of equipment.

Mr. Updike: That is right.

Mr. Dyer: And determine what was best for recommendations of purchasing. It was to that program I referred. And I think it was to that program that the witness answered the question.

Is that right?

The Witness: Yes.

* * *

[2164] Mr. Dyer: Mr. Byrd, prior to the time of the liquidation of Darlington Manufacturing Company, did you send to the remaining D-M mills a catalog for the Darlington sale, the auction sale, asking the mills to review it and let you have a list of items on which the mills wished to bid at the sale?

A. Is this the Darlington sale?

Q. Yes, sir. A. I believe so.

Q. And asked the mills to return the list to you promptly as you would like an opportunity to discuss these with the individual mills prior to the sale? A. That could be, yes.

* * *

[2165] Q. (By Mr. Dyer) Mr. Byrd, did you assist in the preparation of the Darlington Catalog? A. Yes.

Q. And can you tell us who, besides yourself, assisted in the praparation of that catalog? A. The auctioneers. Samuel T. Freeman and Company.

Q. Anyone else? A. Mr. Higginbotham, and Darlington personnel.

Q. Now, in addition to the machinery, I believe the catalog had mainly to do with machinery, did it not?

[2166] A. It had to do with all of the property of Darlington.

Q. Did Darlington have an inventory of supply parts? A. Yes.

Q. That were sold through the purchasing department to the various D-M Mills prior to the auction? A. Some of the supply parts were sold to the mills within the group for which we were purchasing.

Q. Now, can you tell us how that was handled? A. Yes.

We obtained the list of the inventory from Darlington and sent it to the various manufacturers of the supplies as well as the various mills.

And the various mills indicated what they needed. And they were offered to the mills at a slight discount, which we felt would be a better price than they would actually bring at the auction, but were still at a discounted price to the mills and would mean more to Darlington than it would if we had left them at the auction.

Q. And as to the amount of discount, can you tell us who decided on the amount of discount on these items that was to be taken? A. That was arrived at with Mr. Oeland after discussion with him.

Q. Did you give him advice as to approximately what it should be? [2167] A. I may have recommended to him a figure, yes.

Q. Well, do you recall whether you did recommend to him a figure? A. Yes, I believe I did, yes.

Q. Now, as to the actual mechanics, the mills prepared requisitions for these supply parts, gave them to the purchasing department, the department bought the equipment from Darlington, and then invoices were prepared by the purchasing department, and Darlington sent the materials to the mills, is that right?

Is that how the mechanics of this supply of parts sale went? A. I believe that is correct, yes.

Q. Now, were you present at the Darlington Auction? A. Yes, sir.

Q. Now, at the Darlington Auction, there were also personnel present from some of the D-M mills; is that correct? A. Yes.

Q. And can you tell us——

Mr. Updike: "Some persons present from the D-M mills." Now who would they be from? May I ask that?

Mr. Dyer: Let's see if the witness knows.

Q. (By Mr. Dyer) Can you tell us what mills were represented at the Darlington sale, if you know? A. I remember some.

[2168] Q. All right. A. Pacolet Manufacturing Company.

Trial Examiner: What was that?

The Witness: Pacolet Manufacturing Company. Monarch Mills. Gaffney Manufacturing Company. Hartsville Cotton Mill.

Q. (By Mr. Dyer) These are all the cotton mills; is that right? A. Yes, that is right.

Mr. Updike: They are not all the cotton mills. But they are all cotton mills.

Mr. Dyer: That is right. I am sorry.

* * *

[2173] *Cross-Examination*

Q. (By Mr. Updike) Mr. Byrd, do you recall being questioned yesterday by Mr. Dye with respect to the sale of supplies of Darlington prior to the auction, but after the stockholders' vote to liquidate? A. Yes.

Q. Now, will you please tell the Examiner the circumstances which gave rise to that pre-auction sale, please? A. Yes, sir. After it had been decided that the mill was going to be liquidated, Mr. Oeland called me to Darlington to discuss the best ways to dispose of the surplus supplies to obtain the most out of them. And if there was anything that could be done prior to the auction which would result in more money to Darlington, he wanted to do that in the interest of the stockholders.

So, after discussing it, it was agreed that a logical method would be to offer new unused supplies back to the makers of those supplies as well as to the various mills for which we purchased.

[2174] We felt that we would realize—and we did actually realize—about 80 percent of their value in this way. And at the auction, I believe the similar supplies brought about 20 percent of their true value.

Q. What has been your experience in the time in which you have been in the purchasing business with respect to the sale of supplies at auctions? A. My experience has been that after attending many auctions, that supplies always bring much less due to the very nature of the items of having to be segregated, accounted for, and resold into the trade. And the area of obsolescence is never known when a bidder is bidding for those supplies.

Q. Now, Mr. Byrd, I take it, then, that you advised Mr. Oeland that Darlington would receive more by adopt-

ing this procedure that you have just told us about; is that right? A. Yes, sir.

Q. Was there any discussion with respect to cancellation of orders then on hand with suppliers? A. Yes, sir.

Q. Will you please tell us what you did about that? A. Mr. Oeland requested me to cancel all orders possible that were then on the books, so to speak, for Darlington. And this was done. And there were some over a hundred thousand dollars worth of orders cancelled.

Q. Now, with respect to the sale back to the manufacturer [2175] or supplier, how much of that was done if you can recall, in terms of dollars, I mean?

Trial Examiner: Read the question.

(The pending question read by the reporter)

The Witness: There was something in excess of $20,000 sold back to suppliers.

Q. (By Mr. Updike) Can you recall the names of the primary suppliers in this connection? A. I can recall some of them, sir.

Q. Very good. A. Draper Corporation; Saco-Lowell Shops; Whiten Machine Works. They were the major suppliers, sir.

Q. Now what amount in dollars was disposed of by sale to one or more mills selling through Deering, Milliken and Company? A. As I recall, sir, they bought approximately —well, I would say between $2,000 and $2,500 worth.

Q. So that the total of approximately $125,000 worth of these supplies on hand and on order, a hundred thousand dollars worth was the subject of cancellation at no cost to Darlington? A. Yes, sir.

Q. Approximately $20,000 worth was returned to suppliers at a figure of approximately 20 percent off; is that right? A. Between 15 and 20 percent, yes, sir.

Q. And finally 2,500 dollars worth was sold to mills selling through Deering, Milliken and Company? [2176] A. Yes, sir. And I would like to add, sir, that the basis for a discount was settled on the basis that we were offered by the original manufacturers of the supplies.

Q. That was going to be my next question. The price at which mills selling through Deering, Milliken and Company were offered these supplies, what relationship, if any, did it have to the price available from the supplier? A. We first of all determined the amount that we could hope to receive from the suppliers in the form of their offers for these supplies. And then if the discount from one vendor—or the rehandling charge as they called it—was 20 percent, then those supplies from that vendor were offered to the other mills at the same price.

* * *

Q. Now you were also asked by Mr. Dyer with respect to the doing of printing at Abbeville, I think it was. And I think [2177] you testified that perhaps 25 percent of all of the printing for all of the mills which sell through Deering, Milliken and Company was done at Abbeville.

Now, what is the general nature of the printing that is done at Abbeville? A. The type form that Abbeville can produce is a form that is used more or less intra-plant, or memorandum type forms.

Q. And what can you say with respect to the creation or drafting of these forms within each plant? A. Each plant designs its own forms.

Q. And merely has them printed at Abbeville; is that right? A. That is correct, sir.

* * *

[2180] Q. Now, Mr. Byrd, reference was made in the testimony to some lists of used machinery, used parts, that were circulated by you. Do you recall that? A. Yes, sir. By my department.

Q. Or by your department? A. Yes, sir.

Q. And I believe at one point you testified that similar lists were sent around, which you received, by ACMI. Are my notes correct about that? Or is it ITT? A. ACMI.

Q. American Cotton Manufacturers Institute? A. Yes, sir.

Q. What did those lists consist of? [2181] A. They consist of surplus equipment that is being offered by the various member mills of ACMI.

Q. And how many member mills would you say there were in ACMI? Scores or perhaps hundreds? A. I would have to guess, sir. There are several, but I don't know what the membership would consist of.

Q. Well, now, in the practice of your business, do you receive lists of used machinery and supplies for sale from sources—from still other sources—that is, sources other than the ACMI or lists received from the mills who are the stockholders of the service corporation? A. Yes, sir.

Q. From whom in general do those come? A. In general, sir, they come from used machinery dealers.

Q. Now, in the course of the practice of your work, do you from time to time encounter other persons who are engaged in similar functions but are not connected through stock ownership with the people whom they serve? A. You are speaking still of used machinery, sir?

Q. Well, used machinery or supplies or new machinery; whatever the fact may be. A. Yes, sir. From time to time, or actually today there exists purchasing agents who represent a group, usually a large group of mills, that

are not inter-related. . And these agents are known generally as "independent purchasing agents."

* * *

[2184] Q. (By Mr. Updike) Do you recall being asked concerning the loan of equipment by Darlington to some other mill? Do you remember that? A. Yes, sir.

Q. What was the equipment involved in that loan? A. It was, I believe, some type of electrical equipment which Mr. Dyer referred to yesterday. And it was equipment of an emergency nature.

Q. Within the range of your experience, what class or type of equipment has ever been the subject of a loan? [2185] A. Well, actually the only equipment that is loaned between the mills which we represent is emergency type equipment like a generator or maybe some transformer or something of that nature that would cause, let us say, serious trouble if it couldn't be replaced immediately.

And they borrow that type equipment.

Q. Yes, but it doesn't extend to operating machinery or equipment within the mill itself, is that right? A. No, sir.

* * *

[2195] Q. (By Mr. Updike) Mr. Byrd, as a result of Mr. Dyer's request to me during the recess, did you total all of the invoices on supplies which were sold to your stockholder mills by Darlington in the so-called pre-auction sale? A. Yes, sir.

Q. And have you found that the estimate which you gave in your testimony of between 2000 and 3000 dollars was incorrect and too small? A. Yes, sir.

Q. And what is the total as you have just computed it by adding the invoices? A. Approximately $7500.

* * *

[2199] T. D. TRULUCK, called as a witness, having been first duly sworn, was examined and testified as follows:

Trial Examiner: What is your full name?
The Witness: T. D. Truluck.
Trial Examiner: Where do you live?
The Witness: Union, South Carolina.

Direct Examination

Q. (By Mr. Dyer) Mr. Truluck, you are head of the cotton department; is that correct? A. That is correct, yes, sir.

Q. And in your capacity, can you briefly describe what the functions of that department are? A. The functions of that department are to secure the raw cotton for the group of mills, for the mills that we represent as agents.

* * *

[2202] Q. And do you keep informed as to the various rulings of the Agriculture Department and the Senate and House Bills which are being considered? A. We try to keep up with all the information that has any bearing on cotton and cotton qualities and what might affect the prices and qualities and so forth.

And I might add that that information is constantly delivered to our various mills. The treasurer and manager of those mills.

* * *

[2203] Q. (By Mr. Dyer) You are familiar with what the—let's go back to 1956—you were familiar with the

general type of cotton that Darlington wished; is that right? A. Yes, sir.

Q. And if you saw some cotton in the market that was the type Darlington used, and you could get it at a good price, would you go ahead and so do without consulting Darlington [2204] first? A. No, not unless I had the instructions from Darlington Manufacturing Company to buy a certain amount or certain quality of cotton.

Q. Well, did you at times receive blanket instructions as "We want cotton to run so long; buy it"? A. Yes.

Trial Examiner: I think that last question was directed to the amount or quantity that Darlington would want?

Mr. Dyer: Yes, sir.

Trial Examiner: Would there be any instructions concerning prices?

Q. (By Mr. Dyer) Would there be advance instructions concerning price that you wanted within a certain range? A. Yes, sir.

Q. You would be in contact with the mill and tell them what the market price was and that all they could expect would be so and so; is that right? A. That is right.

They made the final decision as to whether we would pay that price if it was any different from any instructions I had previously.

Q. Where you saw cotton that you knew the mill could use at a bargain price, you would pick that up, wouldn't you? A. Not unless I had instructions or orders from the mill.

[2205] Q. Well, I mean blanket instructions? A. Yes, that came within my instructions, yes.

Q. All right.

* * *

[2207] Can you tell us what the pre-classing procedure is?

* * *

A. The pre-classing procedure is this: We have classed the cotton on the sample on which we have purchased it before the bale was shipped. And we have furnished the mill with that information prior to the bale arriving, so that when it does arrive that they know exactly what to do with it.

Q. All right.

What is the information you obtain from this classing? A. We obtain the grade and the staple.

Q. And the length of the staple? A. Right.

Q. Do you obtain any other information with regard to it? A. Yes. We obtain some information that we get from instrument classing.

* * *

[2208] Q. Well what I am asking you is: Was it part of your procedure of your pre-classing procedure? A. Yes it normally is.

Trial Examiner: What is?

Mr. Dyer: To give these laboratory results.

The Witness: To give the grading—it is normally our procedure to give the gradings, the staple, and the micronaire reading.

Q. (By Mr. Dyer) Can you tell us what a micronaire reading is? A. That determines the diameter of the fiber.

Q. All right. What other information? A. We have tensile strength test which gives you the strength of the fiber.

Q. Do you have any other information from the laboratory tests? A. We have some other tests, such as we test

for the alkalinity, which is cavitoma, we call it, which we think is some organism that gets into the fiber, and can do some damage.

[2209] Q. Do you also give a reading as to spinability? A. Yes.

With all of the characteristics we are able to identify, those things with our experience show us that that bale normally and usually will perform well in a certain end product.

Q. All right. Now, this information is taken for each bale of cotton. A. Some of it is spot checking.

Q. Where you have large lots; is that right? A. Yes. Some of it is individual bales.

Q. All right.

And copies of this information are sent to the mill so that the mill will have the information when the cotton arrives? A. They have the preclassing information, yes.

* * *

Q. All right. Does the cotton department maintain a record of this? A. Yes.

* * *

[2210] Trial Examiner: General Counsel's H-3 is received in evidence.

* * *

Q. (By Mr. Dyer) Now, the information that is shown on here is prepared at the cotton department's office at Union, South Carolina, is that right? A. Yes, sir.

* * *

[2212] Q. All right, now, would the mill superintendent tell Mr. Boyle, for instance, the mix you have given us is

running fine; let's keep that mix; or that the mix isn't running fine; can you change it in some way? A. That quite often happens, yes.

Q. All right.

Now how often are these blends, the cotton mix memoranda, sent to the mills? Is it weekly? A. No. As a change is necessary.

Q. Well you can tell whether a change is necessary from the inventory? A. Yes.

* * *

[2216] Q. Now, I direct your attention to the heading of this letter. It says: "Cotton and Cotton Waste Department, Deering, Milliken, Union, South Carolina."

And I note that at the bottom of the page is the legend "Division of Deering, Milliken Service Corporation."

Is this your standard letterhead form, or memo form? A. This is a standard memo form for our cotton department, yes.

[2217] Q. Now reference is made to the cotton waste department. Can you tell us what that department does? A. The waste department has charge of or are agents for the selling of the waste for the cotton mills.

* * *

[2225] Q. (By Mr. Dyer) Now, when Darlington started its switching process you had in the meantime bought a larger stock of cotton, had you not? A. That is right.

Q. And there was some that was in the futures market, that right? A. Yes. They were as I recall short some futures. They were involved in the futures market.

Q. And there was some that had been bought and was warehoused at the Cotton Blossom? A. Yes.

Q. And some which would have been left at Darlington? A. Yes.

[2226] Q. Was there Darlington Cotton in any other place? A. There was some cotton they had committed themselves for which had not been delivered.

Q. All right. Were you asked to liquidate the cotton? A. Yes.

Q. And can you tell us the procedure you used in going about it? A. We put this cotton up for bids. That is the cotton—well let's divide it into two categories. Let's first talk about the cotton that had not been delivered to the mill.

Q. All right.

You say cotton which had not been delivered? A. Which had been bought but had not been delivered.

Trial Examiner: It was on its way?

The Witness: That is right.

Q. (By Mr. Dyer) It hadn't reached Cotton Blossom yet? A. Yes. Or it could have been not due for shipment yet. We will talk about the undelivered portion.

Q. All right. A. This cotton, we proceeded to see what kind of a cancellation price we could get from the parties who had sold the cotton to Darlington.

We also advertised for bids on that cotton on the conditions under which it had been purchased. The shipper we felt realizing that Darlington was going to liquidate [2227] made us a cancellation proposition which I didn't think was the true value of the cotton. So I passed that information on to Mr. Oeland.

So then we went out, offered the cotton out, to some other mills and some other shippers. The prices that they offered us I still felt wasn't the value of the cotton.

So I again talked to Mr. Oeland. I said, let me take another turn at this thing and see what we can do, because I feel like the cotton is worth more money.

So I offered this cotton to Gaffney, to Mr. Norton, and to Mr. Sibley. I said I am acting as agent for Darlington Manufacturing Company; if you are interested in the cotton, this is what Mr. Oeland and I feel like the cotton is worth.

Trial Examiner: This was to whom; which mill?

The Witness: Monarch Mills, Mr. Sibley.

Mr. Updike: And Gaffney?

The Witness: And Gaffney Manufacturing Company; Mr. Norton.

And the prices which we offered the cotton to those two mills for was higher than any bid we had received from anybody else to buy the cotton.

And Mr. Norton and Mr. Sibley, after thinking the thing over, said they wanted to buy the cotton. So then we sold them that cotton at that price. And that was a price at which the shipper who owned the cotton was willing to cancel [2228] out at.

In other words, the shipper, to cancel out, wanted us to pay them some money to cancel the contract, you see.

But by negotiating we were able to get that cotton high enough—somebody else would buy it high enough so that the shipper who owed the money to Darlington was willing to cancel it out without any charge.

* * *

[2229] Q. (By Mr. Dyer) You bought the cotton originally at thirty-eight. The shipper was willing to cancel out initially at what price? A. Say 37½.

Q. And you went to other outside mills and asked them for bids and they gave you bids of 37½ or 37.60? A. Yes. And lower.

Q. And then you went to Gaffney and Monarch? A. Yes.

Q. What bids did they give you? A. They were willing to give us the bid that the shipper wanted to cancel——

Trial Examiner: Thirty-eight.

[2230] The Witness: Thirty-eight cents.

Trial Examiner: The price you were to pay the shipper?

The Witness: That is right.

Trial Examiner: All right.

Q. (By Mr. Dyer) What then did you do? A. We cancelled Darlington with the shipper. And we drew contracts with the shipper to Darlington—I mean to Gaffney and Monarch for the cotton which they had bought.

Q. In other words, as far as the money was concerned you cancelled out Darlington and $37.50 and got the——

Mr. Updike: No. It was cancelled without penalty.

Trial Examiner: Darlington just stepped out of the contract and the cotton was now sold to Gaffney and Monarch?

Mr. Dyer: All right.

Q. (By Mr. Dyer) How about the delivered cotton? A. The delivered cotton we offered it for bid. And we had about the same results as to prices for that cotton.

Q. You offered it to outside bidders for bids? A. Yes. In other words the prices that we had that cotton offered

out for were less than what we considered the cotton was worth.

With a shipper buying it, you expect that; because if they are going to buy a product to resell they expect to make a profit.

Trial Examiner: Are we speaking of cotton at Darlington?

[2231] Mr. Dyer: Inventory cotton in their possession, yes.

Mr. Updike: At Cotton Blossom?

The Witness: The prices we got there from some shippers and some mills, not ours.

The Witness: To be exact, it was Lowenstein's group of mills and some others.

There again we didn't feel that we were getting enough out of the cotton. We didn't feel the prices we were getting for the cotton were good enough. We talked to Mr Oeland. And we decided "Well, let's see if Monarch and Gaffney are interested in this cotton."

And I said, "I think this cotton is worth about a half a cent a pound more than the highest bid we have had on it so far."

So he said, "Go ahead and see what you can do."

So we finally sold the rest of that cotton to Gaffney and Monarch. There may have been another mill involved that got a little of it. I am not sure about that. But the records are available on all the transactions, and so forth. And as I recall, we got slightly over $2 a bale more for that cotton by Monarch and Gaffney buying it than we got on any bids that we received.

So we felt that we had gotten the full value out of liquidating Darlington's stocks of cotton.

* * *

Cross Examination

* * *

[2247] Q. Now, I show you General Counsel's Exhibit H-1, which is a report by you dated August 16, 1956 of about a little over three pages, addressed to the Treasurers of the mills [2248] utilizing cotton. And I ask you how often did you report to the Treasurers who were interested in cotton of that fashion? A. Quite often. If I got information that I thought that they ought to have that was valuable to them, why, I passed it on to them.

Many times I passed this information on to them by telephone. But we were constantly keeping him supplied with information that we picked up that we thought was pertinent to their operations, and so forth.

Q. All right.

Now, does some of the information in that exhibit pertain to grades or qualities of cotton that would be of interest only to some of the treasurers? A. That is correct.

* * *

[2249] Q. (By Mr. Updike) Now, who originally determined the mix that appears in H-3, sir? A. Who proposed this mix?

Q. Yes, sir. H-3 involves a modification, as I understand it, of an existing mix. A. Yes.

Q. My question to you is: Who, if you know, set up the original mix. A. I would say that Mr. Boyle and Mr. Goodwin.

Q. Working together? A. Working together, yes, set up the previous mix, as they did this one.

Q. And as a matter of practice, is that how the cotton department worked with Darlington, for example? A. Yes, sir.

We worked not only with Darlington, but each mill that we represented. We worked in an advisory capacity, making recommendations. We didn't and we don't have any authority to push our thinking or actions over any treasurer. I mean that [2250] is his responsibility. We can only suggest, recommend and discuss these things with them.

Q. I see. A. Many times they take our suggestions, and many times they don't.

Q. In spite of your efforts, I take it? A. Right.

Even though I still think they are wrong at times.

Q. Now, as between the cotton purchasing department on the one hand and let us say Hartsville, would the mixes be substantially different? A. Oh, yes.

Q. Would that likewise be true with respect to Monarch and Gaffney? A. Yes.

* * *

[2265] Q. (By Mr. Updike) Does the cotton department, or did it at any time, ever purchase any cotton on—just on its own account? A. No, sir.

Q. Its purchases are always made for some specific act of some specific mill treasurer or mill? A. That is right.

Q. Now, Mr. Truluck, you were asked some questions with respect to the disposition of cotton in stock—that is, in the inventory at Darlington—and as well on hand at Cotton Blossom?

And I ask you if you caused to be prepared a statement showing the disposition of every bale of Darlington's cotton [2266] at those two places during the month of November, 1956.

I will amend my question to say: During the course of the liquidation of Darlington. A. Yes.

Q. Now, can you tell us from that, from whom you received bids with respect to—— A. We received bids from Anderson-Clayton and Company.

Q. That is one of the concerns you mentioned a little earlier in your testimony? A. Yes, sir.

Cotton shipper or merchant.

Q. Anyone else? A. We received bids on portions of this cotton, certain qualities, from Lowenstein, Cotton purchasing Department, which is Lowenstein Mills.

Q. Yes.

By the way, when you say certain portions of the cotton, did you invite a bid on all of the cotton? A. We invited bid on all of it.

Q. And they elected to bid only on certain portions; am I correct about that? A. Yes, sir.

Q. Please continue, sir. A. We received bids from Volkart Cotton Company. They are also shippers.

[2268] Q. I believe you told us that after receiving those bids you were of the view that you were not being bid the full value of the cotton? A. Yes.

Q. And did you thereafter, having consulted with Mr. Oeland, endeavor to sell the cotton, or offer the cotton to some of the mill treasurers for whom you act as cotton purchasing agent? A. Yes, sir.

Q. And does that sheet of paper before you reflect the prices that were thus offered? A. Yes.

Q. Now, what can you state with respect to whether the offers thus received were in excess of any offers from Anderson-Clayton, Lowenstein and Volkart.

I think those are the three names you have given us? A. You say was the prices we received for the cotton in excess of any of these other bids?

A. Yes, sir.

Q. Yes, it was in excess?

Mr. Updike: The witness has a memorandum in his hand which details all of these transactions. I will be glad either to offer it in evidence or give it to Mr. Dyer for his examination, whichever is preferred, sir.

Mr. Dyer: I would like to see it.

[2269] (Document handed to Mr. Dyer)

Trial Examiner: We will take a five-minute recess.

(Whereupon, a short recess was taken.)

Mr. Updike: Mr. Examiner, Mr. Dyer has expressed the wish that this schedule of figures be offered in evidence. And I accordingly ask that it be marked Respondent's Exhibit H-5.

Trial Examiner: Is that what you referred to before as a disposition of every bale of Darlington's cotton?

Mr. Updike: Yes, sir.

* * *

[2272] Q. Now, with respect to the practice of hedging, who decides whether to hedge, and if so, how much, as among the mills which you represent in the purchase of their cottons? A. Each mill treasurer makes his own decision.

Q. Now, does he have your advice with respect to that decision? A. Yes, sir.

Q. With reference to the years, let us say, 1955, 1956, [2273] to what extent did the mill treasurers from time to

time go along with y[illegible] advice or disregard it? A. You mean what percentag[illegible] it?

Q. Your batting average, I would say.

Trial Examiner: Batting average with the mill treasurers?

Mr. Updike: Yes, sir.

The Witness: Oh, I would say 50 percent; maybe 60. Some mills a higher percentage, perhaps some a lower percentage.

Q. (By Mr. Updike) Now at any given moment, sir, with respect to future purchases of cotton, what would you say as to the uniformity or lack of uniformity in the positions of these respective mill treasurers? A. There is practically no uniformity whatsoever.

* * *

[2275] *Redirect Examination*

Q. (By Mr. Dyer)

* * *

Q. Has the cotton department bought a good number—or bought a lot of cotton from Anderson-Clayton? A. You say have we?

Q. Yes. A. At times, yes.

Q. In 1955 and 1956 you bought a lot of cotton? A. We bought some.

Q. Did you obtain micronaire readings from them? A. I don't know that we did. I can't answer that.

Q. Is there a service that would cost some more money? A. My recollection is that we bought it with certain micronaire specifications.

Q. You mean they sold it to you as guaranteed to be within certain micronaire specifications? A. Yes.

Q. That doesn't mean you accepted that without making your [2276] own micronaire specifications? A. We never accept anybody's without making our own. I might say that many other shippers do the same thing that Anderson-Clayton does. They are not an exception. We just used them.

Q. Actually although they guarantee it to be within certain specifications you still check it? A. Yes.

Q. And would you know whether other purchasers outside of Deering, Milliken Service Corporation check the micronaire readings as given out by a shipper such as this? A. Other mills doing buying.

Q. Other mills outside of those—well, other purchasers besides yours. A. Whether they check the cotton?

Q. Yes. A. I understand that some of them do almost bale for bale. Some of them do some spot checking.

Q. I think you stated there are companies that do classing for mills. By that do you mean just the grade and staple or do you mean the complete laboratory check that you make? A. If you are referring to the one I mentioned with Jones, Gardner and Beale?

Q. Yes, I am. A. They do the entire operation, including the buying and [2277] classing and the lab work.

Mr. Updike: Is that lab work meaning laboratory work?

The Witness: Yes. In many instances. I don't know it is done in every bale that they have. But in a good many mills I know they do.

Q. (By Mr. Dyer) And for the lab work, which we call it, do they charge extra to their purchasers? A. Well, I

don't know that they charge more. It would certainly cost you more to handle the cotton.

Having to run it through the lab would cost more.

Q. Would it be your presumption that they would charge an extra percentage for this service? A. I would guess so.

* * *

Recross Examination

[2285] Q. (By Mr. Updike) I just want to clarify one thing with respect to Respondent's Exhibit H-7.

You have testified, Mr. Truluck, to the wide range of non-uniformity as between the treasurers with resp to their bought-up position—is that the way to express it? Am I using the right terms? A. Yes, that is all right. Or we would say "cotton coverage."

Q. Cotton coverage. All right.

Now, a further decision for these treasurers to make was with respect to whether they should or should not hedge with respect to that widely non-uniform position. Is that correct? A. That is right.

[2286] Q. And do I understand that when your memorandum say, as it does in the fourth paragraph on page 2, that "We are all pretty well in accord with our thinking", that that statement in context refers to a general accord with respect to not hedging on those positions, is that right? A. That is correct.

Q. I have one final question.

Did you ever have anything to do—did any member of your department to your knowledge ever have anything to do with the labor relations as at Darlington?

Mr. Dyer: Objection, sir. This calls for a conclusion of the witness. The term "labor relations" is something that needs quite a good bit of defini-

tion, and to take the witness' definition of what is meant by "labor relations" is something I think that should not be inquired into at this time.

Mr. Updike: I will ask a different question then.

Q. (By Mr. Updike) Did any of your activities or the activities of any one in your department bring you in contact with the hourly paid employees at Darlington? A. No.

Q. (By Mr. Dyer) Back to Respondent's Exhibit H 7 for just a moment.

Did you attend the sales meetings in New York, sir? [2287] A. The——

Q. I refer now to the last paragraph on page 2. "I am asking that we all get together for a few minutes at the sales meeting in New York and discuss this and decide what policy we should set up and follow." A. Yes, I think I attended that sales meeting.

Q. All right. When you refer to the policy that should be followed, is that the policy on hedging? Or is that the policy on long-term buying? Which is it? A. Well, "policy" might have been probably a word that it would have been better not to use.

What I had in mind was that we get together and discuss these things and decide whether we should buy more cotton, which mill should buy it, which mill wanted to buy it, which mill wanted to hedge. It was a kind of a follow-up of the survey that I made with the various treasurers to see what they wanted to do.

* * *

The Witness: Let me read that paragraph.

Trial Examiner: Is that the fourth paragraph?

Mr. Dyer: Yes.

Q. (By Mr. Dyer) "I think all of us would like to keep [2288] a hedged position if we felt like such was possible. With the futures market selling under the loan prices we haven't been able to figure where we would have anything like a hedge for any of our purchases."

"We of course could maintain an even position but this doesn't mean that it is a hedged position."

Q. The questions you raise and point out here as to what could happen in the future, was that what you referred to in talking about the "policy we should set up and follow"? A. I think all of this would finally be determined by just how much cotton that we bought up here.

We are actually just looking into the future to try to see what we feel like is perhaps the best thing to do. We haven't actually done any of these things.

You see, this is September 15th. The crop, with the exception of the Texas Valley, which is just a few hundred thousand bales, will hardly begin to move until October, November and December. So what we are doing here is just turning over in our minds the various possibilities, trying to come to some decision as to maybe which way we ought to move.

Q. Is that what you mean by "policy" in that statement? A. Yes.

Mr. Dyer: Thank you. That is all.

* * *

[2289] Q. (By Mr. Dyer) Mr. Truluck, I hand you this letter which was addressed to you from Mr. Oeland dated October 15, 1956. This letter refers to the liquidation of the cotton at Darlington; is that correct? A. Yes, sir.

Q. And in this letter Mr. Oeland states to you that he had discussed the question of the liquidation of the cotton

with Mr. Milliken. And Mr. Milliken was very anxious that you, Mr. Truluck, go over this with him before any action was taken.

Did you discuss the liquidation of the cotton at Darlington with Mr. Milliken? A. Yes, sir.

Q. Thank you. A. I would like to add to that——

Mr. Updike: May I ask what the conversation was with Mr. Milliken?

Mr. Dyer: He is your witness.

The Witness: On receipt of that letter I called Mr. Milliken on the telephone. And he said to me something about [2290] like this: "I want to be sure that you get every penny that you can get for Darlington's inventories. And I want to be sure that you get outside bids in order to liquidate this stock."

That is about the sum and substance of the conversation.

* * *

HARRY DEFORE, called as a witness, having been first duly sworn, was examined and testified as follows:

Trial Examiner: What is your full name?

The Witness: Harry Lee Defore.

Trial Examiner: Where do you live?

The Witness: 203 West South Street, Union, South Carolina.

Direct Examination

Q. (By Mr. Dyer) Are you in charge of the fiber quality control and research department? A. I am.

Q. And that is set up as a separate department now rather than being included under the cotton department, is that correct? [2291] A. That is correct.

Q. And when was it set up as a separate department? A. It was set up about June, 1955.

Q. Now, can you give us a brief outline of the duties of the Fiber Quality Control and Research Department? A. The basic work of that department is concerned with assisting the mills with whom we are associated in achieving the optimum efficiencies from their raw materials, their machinery, and their personnel. A. Can you tell us how you go about achieving the results? A. The tools which we use in that program are fiber research, fiber quality control, processing research, processing quality control, product improvement, product development, and related items.

Q. Now, can you tell us just where the responsibility of your department ceases and that of Deering, Milliken Research Corporation takes up? A. The Deering, Milliken Research Corporation is primarily—they have been and still are to the best of my knowledge primarily related to synthetics, especially filaments. Also in their development work, they go into chemical modifications.

We in our department are pretty well occupied with cotton to the greatest extent, even though we do cover staple synthetics as a precaution that if the market should require blends of cotton and synthetics, or a hundred percent [2292] synthetics, then we shall all be fully informed so that the mills which are primarily cotton mills, can swing over to the types of fabrics which the market might require.

* * *

Q. (By Mr. Dyer) You do some quality research on the fiber itself; is that right? A. That is correct.

Q. And what do you term "fiber"? How far along in the process of making yarn would you still refer to the cotton as "fiber"? A. In evaluating fiber properties or fiber qualities, we have to, in effect, carry it all the way through the greige mill manufacturing, with consideration also given to its finishing properties.

Q. Well do you take samples of the cotton at various stages of its processing at a mill? A. We have had two projects that would require sampling throughout as you speak of.

Q. Can you tell us how that is done? A. How the sampling is done?

Q. Yes, sir. A. In one of the projects which is called "weekly Stock [2293] in process tests," each mill that wishes to participate in this project is requested to send in to us a sample from each of the bales which comprise one mix per week as taken from the bales which are open and are in their opening room. And in addition to that, they are requested to send in to us six random samples of finisher drawing sliver. And those are analyzed in the laboratory from the standpoint of all factors which we know influence quality, processability or dyeing characteristics.

Q. Now, you say this was a program? Or what did you determine it? A. I called it a project. For the mills who wish to go along with it, it is a routine and continuing thing which is repeated every week.

Q. Did most or all of the D-M Mills submit their samples to you, to your department? A. Initially I believe that all of the cotton mills with whom we are associated did send samples in. There are some that did not wish to continue with that information, and so they requested that it be discontinued.

Q. In other words you just discontinued it as to them? A. That is correct.

Q. And after making the analyses which you have stated, did you make a report on these analyses? A. Yes. That goes back to each mill weekly.

[2294] Q. Is this called a "periodic yarn test summary"? A. No. This is called "Weekly Stock in Process Tests."

Q. What is the nature of the report? Does it list all the mills on one report or just an individual mill? A. It is an individual report to each mill which is participating.

Q. Would that report indicate the trend which that mill is taking with regard to the quality of the fiber? A. It indicates the level, and it indicates the trend, and it indicates a number of other things which we think are of value in order to assure good performance and good quality at the end.

Q. Well are there data from previous weeks also listed on the chart so the mill can tell whether its quality is going up or down? A. Not in the report which goes to the mills. It is our recommendation that each mill keep its own data charted.

In this department, it is maintained that way. For each mill there is a continuing record of results.

Q. Now, what can you tell us about the yarn test summaries? A. That is another project which we have wherein random samples of yarn of current production are selected by mill people and are sent in to us each month.

They are analyzed for all of the pertinent quality characteristics.

[2295] A. And at the end of a quarter or a six-months period, comparisons are made among all of the participating mills in one report.

Now, each mill gets its own report once a month. But there are some comparisions which are made up quarterly and semi-annually.

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Q. (By Mr. Dyer) You said participating mills. Did all of the D-M Mills and Cotton Mills participate in this yarn testing? A. Yes. All of the associated mills on cotton do participate.

Q. In addition to the summary, were trend charts of individual mills attached to the copy of the summary going to the mill showing the improvement or retrogression in the mills' quality of yarn? A. That is correct.

Trial Examiner: You mean each mill gets a report on each of the others; on each of them?

The Witness: No. These particular charts which are referred to are attached only to the report going to that [2296] specific mill.

There is a further comparison which is made, which is made in tabular form which is sent to all mills that do participate.

Q. (By Mr. Dyer) The summary itself to which the chart is attached does show the information as to what the quality of the yarn is? A. That is correct.

Q. Now, does your department also make periodic yarn twist surveys? A. It does, yes.

Q. And what are those surveys designed to find out? A. Those surveys are designed to inform the mills as to two things: Their processing efficiencies, which may be correctable. Also it points out to them the added cost which they have in their plant because they are having to use twists, yarn twists, which are in excess of what we may call a "standard", what we know can be done with the cotton that they are using.

* * *

[2297] Q. What I am saying is: From the report, can the mills compare themselves against the standard and against each other? A. That is correct.

Q. Now does your department also issue——

Trial Examiner: Is that the report which enables them to make those comparisons sent to each of them?

The Witness: Sent to all that participate.

Q. (By Mr. Dyer) Does your department issue periodic bulletins on the quality out-turn of cotton purchases? A. It formerly did.

Q. You say "formerly did". What do you mean "formerly did"? Before it was separated from the cotton department? A. No it has been discontinued. I think it was in operation at the period we are speaking of, 1955-1956. I don't recall the exact date that it was discontinued.

Q. Can you tell us what the report showed——

Trial Examiner: What report is this?

Mr. Dyer: Report on the Bulletin of Quality Out-Turn of Cotton Purchases.

The Witness: We had set up guides as to the rating we would give the Quality level of each purchase, that being based on all fiber properties which we consider important [2298] other than grade, staple and growth which are handled in manual classing.

And this report was to see degree to which we were improving the selectivity of cotton which we were getting. That was the purpose of it.

Q. (By Mr. Dyer) Can you tell us exactly what departments would benefit from such a report?

Would the cotton department itself benefit from the report? A. Would the cotton department itself benefit?

Yes, I think they would.

Q. And can you tell us how the mills would benefit from this report? A. Yes. Because those properties are important to the mills from a standpoint of processing efficiencies and costs and quality.

But those fiber properties do not constitute an element in the determination of price so long as they are within practical limits. In other words, we were far ahead of conventional cotton merchandising practices. And if we could select our cottons with desirable properties in these respects without having to pay a premium for it, then we would have a competitive advantage over those mills which did not have that information or did not use it.

Q. Turning to the research side of your department, would [2299] an example of the research which your department does be, for instance, on the removal of the oil from the cloth? Would that come under your department or would that come under the DMRC? A. Well, that in reality is a very small thing. But we feel that whether anything is specifically delegated to us or not, if we have information which can be of benefit to the mills with whom we are associated, it is our duty and obligation to bring it to their attention.

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[2300] Trial Examiner: General Counsel's I-1 is received in evidence.

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Q. (By Mr. Dyer) Now, Mr. Defore, did the Fiber Quality Control and Research Department act as the liaison between the various mills and ITT?

[2301] Mr. Updike: You mean in respect of this subject matter?

Mr. Dyer: Yes.

Trial Examiner: To the what?

Mr. Dyer: In respect to the subject matter listed here.

Mr. Updike: Other testimony from other witnesses in different connections.

Mr. Dyer: Yes.

The Witness: In this particular matter we do act as a clearing house.

Q. (By Mr. Dyer) Now the mills listed to the left of the first page, are these the mills which are the member contributors associated with Deering, Milliken who are members of the ITT? A. Yes, that is correct.

Q. Is the Deering Milliken Service Corporation as such a contributing member? A. It is not.

Q. I note that the Fiber Quality Control is listed. Is your department a contributing member? A. It is not. And for that reason. You will notice that any expenditure which is chargeable to that department is in parentheses, because there is no fund against which these charges can be applied.

Q. In other words, how does your department pay ITT for the services it performs? [2302] A. Normally we would have to pay for it in cash. However, when Darlington was liquidated, they were members and they had reserve funds there which were unexpended.

And those funds, according to the regulations of the institute, can not be rebated. Therefore, we asked Mr. Oeland for permission to use the unexpended Darlington funds after liquidation to charge our work to insofar as they would go. That permission was granted.

Q. On the second page, I note that this invoice is addressed to Deering, Milliken Service Corporation from ITT for various tests run at ITT; is that correct? A. That is correct.

Q. And this would be handled by your department; is that right? A. Now, what do you mean by "handled"?

Q. For instance, when the invoice came in, it would be turned over to you or your department; is that correct? A. That is correct.

Q. And how would you or your department go about paying the invoice? A. We would pay the invoice out of our funds. And then we would turn around and bill each particular mill for the work which they had requested and which the Institute had made a billing on.

Q. Now, going to another point, where information is [2303] received from ITT on the various projects as requested by the individual mills, is that material going directly to the mill or does it come through your department? A. It does go directly to the mill, and we generally get a copy of it.

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Trial Examiner: General Counsel's I-2 is received.

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[2305] Q. Now in your memorandum in the last sentence of the first paragraph, you state "A knowledge of statistics through charting will be needed by these men, but you have been furnished statistical manuals for this purpose."

Can you tell us what these statistical manuals are? A. Yes. Those are manuals of statistical procedures with

specialized applications in the textile industry. This manual was developed in our department. And they were supplied to each of the mills with whom we are associated as well as other departments of the service corporation.

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[2306] Q. (By Mr. Dyer) Now this letter of Mr. Oeland's is in reference to Mr. Milliken visiting him; and Mr. Oeland states, referring to Mr. Milliken: "He is very anxious for us to consider the purchase of some Rieter warp spinning frames to fill in some spare floor space in our card room. We plan to purchase around 5000 spindles. He suggested that I contact Jesse Jackson, as Jesse had recommended the purchase of this type frame for Laurens."

"He further stated you were making some tests in your pilot plant of this type of equipment."

Can you tell us what your pilot plant consists of, sir? A. Our pilot plant consists of small numbers and usual samples——

Q. Small numbers? I didn't get that? A. Small numbers of and usual sample sizes of yarn manufacturing equipment similar to that which is used in mills.

Q. And do you perform tests on this type of equipment to see what the outcome of the cloth will be? A. Of the yarns.

Q. Yarn or whatever it would be, yes? A. Yes. We use that in processing research to establish the capability of the machines and how to get the maximum from them.

Q. Now, the results of your experiments with this pilot plant, I take it, are made available to all of the D-M mills; [2307] is that right? A. All of the mills with whom we are associated, yes.

Mr. Updike: That would be the Cotton Mills. Am I right about that?

The Witness: That is right. All of the cotton mills.

Mr. Dyer: All of the cotton mills?

The Witness: Yes.

Mr. Dyer: Thank you.

Q. (By Mr. Dyer) He goes on to state: "We would appreciate very much your bringing us up to date on where the matter stands and your opinions to this type of spinning against Saco-Lowell and Whitin.

"Our preference would be to get either the Saco-Lowell or Whitin as we have frames in the middle of these two makes and do not want to add a third make unless it is a good move. On the other hand as you know it is useless to tell Mr. Milliken this if he gets his head set."

(Discussion off the record)

Q. (By Mr. Dyer) Do you every so often get requests from the mills as to what your equipment shows would be the best—well my question is misphrased.

Do you get requests like this one from Mr. Oeland from the other mills? A. Oh, yes. They ask our opinions on anything related to the areas of coverage we make.

[2308] Q. And in this instance, he is asking your opinion on the type of spinning frame; is that correct? A. That is right.

Q. Where a new type of equipment comes on the market is such new type of equipment purchased for your pilot plant? A. Not as a matter of routine. If we feel that there compelling reasons why we should have it, then we will put in a request for it.

Q. When you say "put in a request for it", do you mean you will make a requisition to the purchasing department to purchase it for you? A. Well we would have to get approval there for that capital type of expenditure.

Q. Who do you get approval from for capital expenditure? A. From me that would go to Mr. Lowry and perhaps he would consult Mr. Milliken on that.

Mr. Dyer: Those are all the questions I have, sir.

Cross Examination

Q. (By Mr. Updike) Mr. Defore, do you know whether despite Mr. Milliken's getting his head set, whether these frames were recommended or ever bought? A. The Rieter frames were not bought.

Q. Were not bought? A. That is right.

* * *

[2313] Q. (By Mr. Updike) Mr. Defore, have you been in this work either with the Deering, Milliken Service Corporation or with the Cotton Department for about ten years or more? A. Yes, sir.

Q. During that period of time—and directing your mind specifically—well now I withdraw that.

Well, directing you specifically to the years 1954, 1955, 1956, have you made as a result of your research many recommendations to specific mills with respect to changes in their procedures or their number of twists and some of the things that you have told us about here today? A. Yes, sir.

Q. What would you say your batting average was with respect to your recommendations? [2314] A. Unfortunately I would have to put it around 40 to 60 percent, in that area.